University of the Witwatersrand

A research report to be submitted to the Faculty of Commerce, Law and Management in part-fulfilment of the requirements for the degree of Master of Commerce specialising in Taxation

An international comparative analysis of how South Africa can improve its turnover tax regime

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Abstract

This research report undertakes a comparative analysis aimed at outlining avenues for enhancing the turnover tax regime in South Africa. This analysis will outline existing shortcomings and furnish recommendations to the National Treasury for potential legislative amendments. By juxtaposing and analysing turnover tax systems operative in Australia, New Zealand, Singapore, and India, valuable insights can be collected to inform potential improvements to South African tax legislation, thereby fostering the advancement of microenterprises within the South African economy. Furthermore, this report aims to examine selected paragraphs of the Sixth Schedule of the Income Tax Act No. 58 of 1962, which governs the administration of microenterprises. It posits that a reassessment of these paragraphs holds the potential to accrue substantial benefits for microenterprises and fortify the overarching tax framework. Ultimately, by furnishing tax legislative recommendations geared towards improving the turnover tax system, this research report seeks to contribute significantly to the sustainability of both the small, medium, and microenterprises (SMME) sector and the broader South African economy.

Keywords: Microbusiness, presumptive taxes, South African Revenue Service (SARS), simplified tax system (STS), turnover tax.

Declaration

I, Lindelani Mbambale-Mathobo declare that this research report is the results of my own unaided work. All sources used or references in the report have been acknowledged and citations have been provided for any ideas, theories, or works that are not my own. It is in this regard that I declare this work as originally mine and has not been previously submitted, in part or in whole, for any degree or examination in any other university.

This report is submitted in partial fulfilment for the degree of Master of Commerce (specialising in Taxation) at the University of the Witwatersrand, Johannesburg.

Lindelani Mbambale-Mathobo
June 2024

Dedication

This achievement is dedicated to my late father, whose unwavering belief in the power of education, a gift that can never be taken from us continues to inspire and guide me. May his soul rest in eternal peace.

I am deeply grateful to my devoted husband and our three children and my mother for their unceasing encouragement and support.

Glossary of Terms and Abbreviations

SMME (Small, Medium and Micro Enterprises)	Businesses within certain size and turnover thresholds that vary by country. In South Africa, SMMEs are classified based on annual turnover and the number of employees.
Turnover tax	A simplified tax system applied to the gross receipts of a business instead of its net income, designed to reduce administrative burdens for small businesses.
SBC (Small Business Corporation)	A designation in South African tax law for smaller companies that meet specific criteria, benefiting from more favourable tax rates.
SARS (South African Revenue Service)	The government agency responsible for tax collection and tax law enforcement in South Africa.
Base rate entity	In Australian tax law, a company that qualifies for a lower corporate tax rate based on its turnover and the nature of its income.
STS (simplified tax system)	An Australian tax system that allows small businesses with straightforward financial affairs to calculate their tax liabilities in a simpler way.
SUTE (startup tax exemption)	A tax incentive scheme in Singapore that offers tax exemptions to newly incorporated startups for a limited period to support their growth.
PTE (partial tax exemption)	A scheme in Singapore that provides tax exemptions on a portion of the income for all companies to help reduce their tax liabilities.
MAT (minimum alternate tax)	A tax provision in Indian tax law designed to ensure that companies paying minimal tax through exemptions and incentives still pay a certain minimum amount of tax based on their profits.
Presumptive taxation scheme	In India, a simplified tax approach where small businesses can declare income as a percentage of their turnover, simplifying tax compliance and reducing administrative burdens.
IRD (Inland Revenue Department)	The government department responsible for tax collection in New Zealand.

GST (Goods and Services Tax)	A value-added tax levied on most goods and services sold for domestic consumption.
Corporate tax	A tax imposed on the net income of a company. Rates and rules vary by country and are often progressive based on income levels.
VAT (Value Added Tax)	A consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to the point of sale.
HUF (Hindu Undivided Family)	A specific legal and tax entity in Indian law, allowing families to pool their income and resources for tax benefits.

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CHAPTER 1: INTRODUCTION

1.1. Introduction

This chapter presents the study’s background, indicating the identified research problem and the significance of the study. It serves as an overview of the study and shares the research methodology followed to address the research problem. The delimitations and limitations of the study are also highlighted, and the outline of the report is shared.

1.2. Importance of the research

The significance of this research lies in its potential to inform and improve South Africa's turnover tax regime, ultimately supporting the growth and sustainability of microbusinesses within the country. Microbusinesses play a important role in the South African economy, contributing significantly to job creation and economic development. However, the existing turnover tax system, as stipulated in Paragraph 11 of the Sixth Schedule of the South African Income Tax Act No. 58 of 1962 (South Africa, 1962), presents challenges that hinder the full potential of these small businesses.

1.3. Background

The 2024 South African Budget Speech delivered by the Minister of Finance on 21 February 2024 failed to provide much-anticipated relief to microenterprises (South African National Treasury Budget Speech, 2024). In South Africa, microenterprises occupy a pivotal position, wielding significant influence through their substantial employment of the labour force and noteworthy contributions to the gross domestic product (GDP) (SEDA, 2023). The prevailing scenario in South Africa shows a notable prevalence of small, medium, and microenterprises (SMMEs) operating within the informal sector, thereby creating a conspicuous imbalance in economic engagement (Mokofe, 2023; Bolosha, Sinyolo and Ramoroka, 2023). Nationally, an estimated 70% of all SMMEs operate informally, while only a scant 26% are formally registered entities (SEDA, 2023). This predominance of informally managed microbusinesses suggests an area ripe for refinement within the turnover tax framework (Jonck & Nwosu, F2022). The turnover tax mechanism aims to facilitate the formalisation of microbusinesses by streamlining the tax regime (Wen, 2023), alongside incentivising formalisation through simplified tax processes and the application of reduced tax rates (Wiid and Cant, 2021).

Despite the introduction of the turnover tax system in South Africa, which aims to streamline tax compliance and alleviate administrative burdens for microbusinesses, persistent challenges endure (Gopinath, 2020). A report issued by the Davis Tax Committee (2014) underscores a disconcerting reality wherein only a limited subset of microenterprises actively engage with the turnover tax system, revealing a disjunction between policy objectives and practical business realities (Schutte, Labuschagne, Georgescu and Pop , 2019). Moreover, research conducted by the Brenthurst Foundation indicates that SMMEs in South Africa grapple with a myriad daily obstacles, including those related to taxation, which significantly impede their operational efficacy and hinder potential growth trajectories (Nwokolo, Morrow and Nyaku, 2024).

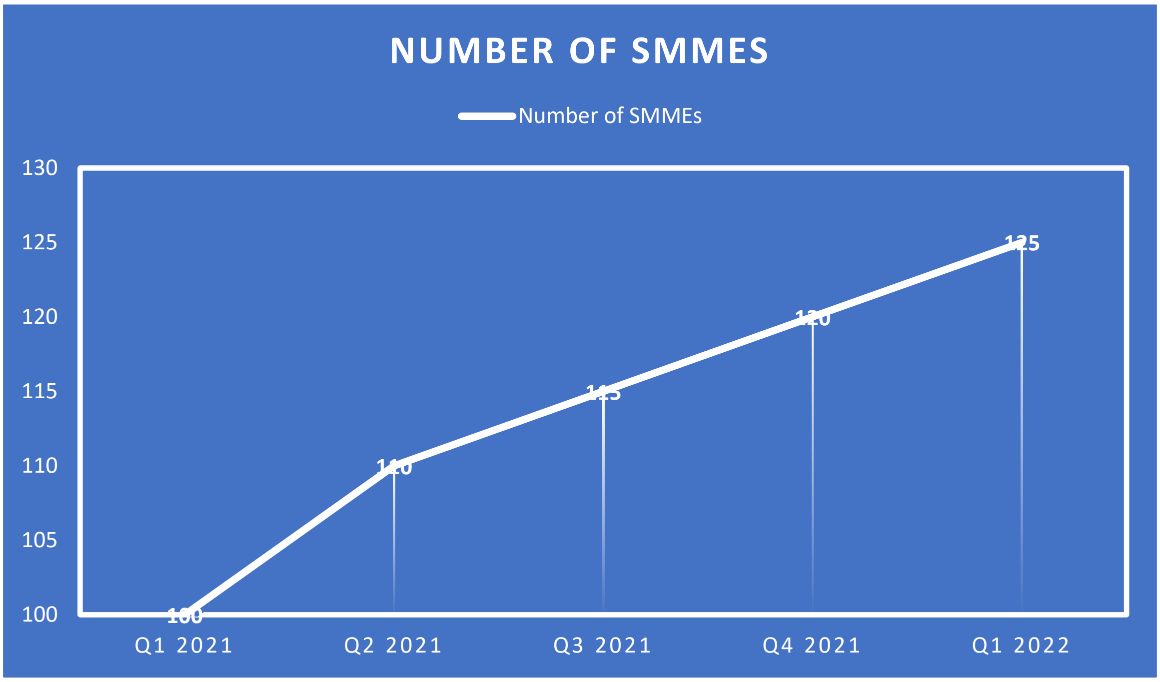

Figure 1: Growth of new SMMEs (0-1 years old) in South Africa

Source: Adapted from SEDA (2023)

The intended simplification of tax compliance stands in stark contrast against the persistent challenges faced by microenterprises, accentuating the imperative for a reassessment of the South African turnover tax paradigm. As depicted in Figure 1, according to the Small Enterprise Development Agency's (SEDA's) Annual Performance Plan 2023/24, a notable surge in entrepreneurial activities was observed, with a marked increase in the establishment of microenterprises during the first quarter of 2022 as compared to the corresponding period in 2021, despite the lingering impacts of the COVID-19 pandemic, culminating in a 27% rise in the number of new SMMEs (0-1 years old) within South Africa (SEDA, 2023). Furthermore, SMMEs contributed to the creation of 5.43 million jobs in South Africa in the first quarter of 2022 (SEDA, 2023). These statistics emphasise the indispensable role of microenterprises in propelling South Africa's economic vitality (SEDA, 2023).

Despite their pivotal role in the South African economy, microbusinesses encounter formidable challenges that impede their regulatory compliance (Lesejane, 2021). Particularly noteworthy is the prevailing trend wherein microbusinesses, especially in their nascent stages, often struggle to generate significant profits (Van Rhyn, 2024). The South African turnover tax regime exacerbates this predicament, as a tax on microenterprises is calculated based on gross receipts rather than net profits. This approach poses a significant challenge for businesses with narrow profit margins, a common characteristic among microenterprises (Lesejane, 2021). Such a tax calculation method fails to account for the divergent profit margins inherent in various business models, potentially subjecting certain microenterprises to disproportionately burdensome tax liabilities relative to their financial capacity to meet such obligations (Wen, 2023).

The inability of microbusinesses to claim tax deductions or expenses results in their incapacity to offset assessed losses from the current or previous fiscal years (PR Niven & Company, 2023). Despite its intention to streamline administrative processes, the simplified tax calculations and reduced record-keeping requirements may not adequately offset the financial disadvantages stemming from the absence of expense deductions and loss utilisation (PR Niven & Company, 2023). To illustrate this point, the Hungarian Advertisement Tax, enacted in 2014, introduced a turnover-based tax system characterised by a progressive structure, initially ranging from 0% to 40%. Subsequent revisions, effective from 1 July 2017, witnessed an adjustment of rates to 0% for revenues up to 100 million Hungarian Forint (HUF), with a 7.5% rate applying to revenue surpassing this threshold. In November 2016, the European Commission contested the tax, citing its alleged discriminatory impact on larger enterprises, by purportedly conferring undue advantages upon smaller loss-making firms (Szudoczky and Károlyi, 2020). In June 2019 the General Court of the European Union (EU), however, overturned the Commission's ruling, contending that the application of a progressive turnover tax could impose a substantial burden on SMMEs, as it precludes the deduction of expenses, thus failing to accurately reflect the economic performance and tax-paying capacity of SMMEs (Szudoczky and Károlyi, 2020). This taxation approach, albeit administratively straightforward, may impose undue financial strains on enterprises with higher turnovers and operating expenses, as it overlooks microbusinesses' ability to fulfil tax obligations (Szudoczky and Károlyi, 2020).

Paragraph 11 of the Sixth Schedule of the South African Income Tax Act No. 58 of 1962 (South Africa, 1962) sets out the provisions governing the taxation of microbusinesses under the turnover tax regime—a simplified tax structure designed to alleviate the compliance burden for enterprises with an annual turnover not exceeding R1 million (SARS, 2024). Notably, there is a research gap in assessing whether South Africa's turnover tax system aligns with international benchmarks and optimal practices, particularly in light of the tax administrative challenges confronting SMMEs.

1.4. Research problems

1.4.1. Statement of the problem

How does South Africa's turnover tax regime, particularly Paragraph 11 of the Sixth Schedule of the Income Tax Act No. 58 of 1962, compare to the tax legislation governing tax on microbusinesses operating in Australia, New Zealand, Singapore and India?

To perform the comparative analysis, the report juxtaposes South Africa's turnover tax system with the taxation framework applicable to microbusinesses in Australia, New Zealand, Singapore, and India. This comparative examination aims to illuminate potential areas for improvement within South Africa's turnover tax regime, with the overarching objective of proposing tax legislative reforms aligned with international best practices, thereby effectively alleviating the administrative tax burden borne by microbusinesses operating in South Africa.

Australia is selected as a point of comparison due to its commendable integration of SMMEs into the national economy, which is widely regarded as the lifeblood thereof (Weaven ., Quach, Thaichon, Frazer, Billot and Grace, 2021). The Australian business landscape is predominantly characterised by SMMEs, with small businesses accounting for 97.3% of all enterprises, and medium-sized businesses constituting an additional 2.5% (Australian Small Business and Family Enterprise Ombudsman, 2023). The Australian government has implemented a suite of policies aimed at fostering SMME growth and facilitating improved access to finance, thereby underpinning the robust expansion of this sector within the economy (Yao, Fabus, Hu and Qian, 2023).

New Zealand's approach to managing the taxation of SMMEs stands out for its simplicity and efficacy (Yong and Freudenberg, 2020). The nation's concerted focus on curtailing compliance costs and furnishing robust support mechanisms for SMMEs has engendered an environment conducive to business growth and development (Nwadike and Wilkinson, 2021). This approach has not only streamlined tax obligations but has also empowered SMMEs to make significant contributions to the national economy (Ruwhiu, Amoamo, Ruckstuhl, Kapa and Eketone, 2021). Additionally, both the Australian Taxation Office (ATO) and New Zealand's Inland Revenue Department (IRD) demonstrate a commitment to refining their tax policies continuously to adapt to evolving economic conditions and international tax standards (OECD, 2021).

Singapore's reputation for fostering a highly conducive business environment extends to its treatment of SMMEs (Pillai, Wang and Kuah, 2022). The strategic utilisation of tax incentives, grants, and diverse forms of financial assistance within Singapore nurtures an ecosystem conducive to innovation and growth within the SMME sector (Tong, 2023). The prospect of adapting Singapore's proven strategies to augment business friendliness in South Africa represents a compelling opportunity for South Africa to enhance its business environment.

India's taxation regime for SMMEs incorporates the presumptive taxation scheme, facilitating simplified tax processes for eligible businesses with turnovers below 2 ten million Indian Rupees (Rs. Crores) by allowing them to declare a fixed percentage of their turnover as taxable income, thereby mitigating the necessity for intricate bookkeeping (Mishra and Shukla, 2022). Moreover, India offers reduced corporate tax rates tailored for SMMEs (Neog and Gaur, 2020), supplemented by an array of tax benefits and incentives aimed at stimulating growth and alleviating the tax compliance burden (Bhalla, Sharma and Kaur, 2023). South Africa, a fellow member of BRICS along with India, stands to garner invaluable insights from India's approach, particularly regarding the imperative of further simplifying the tax regime for SMMEs to incentivise compliance and foster sustainable growth.

The selection of Singapore and India for comparative analysis is predicated on their distinct economic landscapes and successful strategies in SMME development and tax administration. These countries offer a diverse array of insights and practices that hold promise for adaptation within the South African context, thereby enriching the discourse on optimising SMME support mechanisms and tax frameworks within South Africa.

1.3.4. The sub-problems

The following sub-problems will assist in attempting to answer the main research problem:

- **Sub-problem one: how is microbusiness tax applied in South Africa, Australia, New Zealand, Singapore, and India, and what are the key similarities and differences in their respective tax frameworks for microenterprises?**

This sub-problem entails an analysis of tax laws and regulations in South Africa, Australia, New Zealand, Singapore, and India to comprehend the definition and implementation of microbusiness tax. Additionally, this analysis will establish the foundational knowledge necessary for conducting a comparative analysis, addressing the main problem statement effectively.

- **Sub-problem two: how do the applicable tax rates for microbusinesses in Australia, New Zealand, Singapore, and India compare to those in South Africa?**

The sub-problem examines various tax types, including income tax and corporate tax, that impact microbusinesses in Australia, New Zealand, Singapore, India, and South Africa. By understanding the comparative tax rates across these five countries, insights can be gained into potential adjustments South Africa could make to alleviate the tax burden on its microbusiness sector.

- **Sub-problem three: how do the tax compliance requirements for microbusinesses in Australia, New Zealand, Singapore, and India compare to those in South Africa?**

This question will evaluate compliance obligations imposed on microbusinesses in Australia, New Zealand, Singapore, India, and South Africa, including tax filing requirements, record-keeping obligations, reporting standards and any other relevant regulations. This will shed light on how South Africa can ease the burden of compliance from its microbusinesses.

- **Sub-problem four: how does Paragraph 11 of the Sixth Schedule of the Income Tax Act No. 58 of 1962 in South Africa compare with microbusiness tax provisions in Australia, New Zealand, Singapore, and India?**

This sub-problem seeks to compare Paragraph 11 of the Sixth Schedule of the Income Tax Act No. 58 of 1962 in South Africa (South Africa, 1962) with microbusiness tax provisions in Australia, New Zealand, Singapore, and India. This analysis will contribute to understanding the differences and similarities in tax policies and regulations impacting microenterprises across these nations.

1.4. Methodology

The research will be performed using a qualitative approach in the form of doctrinal research in comparing microbusiness tax regimes in South Africa, Australia, New Zealand, Singapore and India considering Paragraph 11 of the Sixth Schedule of the Income Tax Act No. 58 of 1962 and its effects in supporting the growth of Microbusinesses. The sources will include books, legislation, journals, electronic resources (internet and websites), government publications and relevant legal documents.

Qualitative research is concerned with understanding social phenomena from a subjective perspective, emphasising the meanings, characteristics, symbols, and processes of social life (Rajasinghe et al., 2021). This type of research employs a variety of data collection methods, including interviews, focus groups, participant observation, and textual analysis, which allow researchers to gather rich, detailed data that can be analysed inductively (Sallis et al., 2021).

Doctrinal legal research methodology, also known as 'black letter' methodology, focuses on the letter of the law rather than the law in action (Tanifon, 2020). This method involves gathering, organising, and describing the law, providing commentary on the sources used, identifying and describing the underlying theme or system, and how each source of law is connected (Yaroshenko et al., 2021). This methodical approach is instrumental in dissecting and comparing the legal frameworks of the chosen countries, offering a detailed examination of the legislative underpinnings and their efficacy in fostering microbusiness development (Takundwa, 2022).

The comparative analysis will focus on specific legislative frameworks pertinent to microbusiness tax regimes in the selected countries (Popescu, 2020). For instance, the Australian component will examine the Small Business Entity provisions within the Income Tax Assessment Act 1997 (Australia), the Income Tax Act 2007 (New Zealand), the Income Tax Act (Chapter 134, Singapore), and the Income Tax Act, 1961 (India), focusing on micro-enterprise provisions.

The qualitative, doctrinal approach is chosen for its ability to offer an in-depth comparison of microbusiness tax regimes, facilitating the development of informed recommendations for enhancing South Africa's Turnover Tax regime (Blake, 2022).

1.5. Limitation and delimitation

The distinction between SMEs and SMMEs is primarily contextual (Cunningham, Damij, Modic, and Olan, 2023). SMEs are broadly recognized across the globe, including in developed and developing nations, for their pivotal role in driving economic growth, creating jobs, and fostering innovation and entrepreneurship (Gherghina, Botezatu, Hosszu and Simionescu, 2020).

In South Africa, the National Small Business Amendment Act, No. 26 of 2003 establishes a framework for defining micro, small, and medium-sized enterprises (SMMEs) (National Small Business Amendment Act, No. 26 , 2003). According to the Schedule of the National Small Business Amendment Act, No. 26 of 2003, microbusinesses have a maximum of five employees and a yearly turnover of up to R1000 000. Small businesses employ between 6 and 50 workers, with varying turnover limits based on the sector (South Africa, 2003). Medium-sized businesses may have up to 200 employees (100 in the agricultural sector) and annual turnover limits that vary by sector, with the highest limit being R64 million in the wholesale trade sector (National Small Business Amendment Act, No. 26 of 2003). Thus, in South Africa, the term SMME encompasses micro, small, and medium enterprises, each with specific criteria relating to employment and turnover as outlined in the National Small Business Amendment Act, No. 26 of 2003 (South Africa, 2003).

For this research, the terms SMME, SME, and microbusiness are used interchangeably, as they all refer to entities within the scope of the National Small Business Amendment Act, No. 26 of 2003 in South Africa. For Australia, New Zealand, Singapore, and India, the definitions of SMEs consider similar factors but with different thresholds and additional criteria that might be specific to their economic and business environment (Jaswal and Yadav, 2023). It should be noted that these classifications may not be directly comparable to those in other countries included in this study, or even within South African Income Tax Act No. 58 of 1962 (Pech and Vrchota, 2020). Given the global recognition of SMEs as pivotal drivers of economic development, this research will evaluate the applicability and consistency of these terms across different jurisdictions to ensure the validity of any comparative analysis (Abisuga-Oyekunle, Patra and Muchie, 2020).

1.6. Chapter outline

Chapter 1: Introduction

This chapter introduces the context of the report, main problem, sub-problems, research methodology and the proposed chapter outline. It provides an overview of the comparative report highlighting the importance of the turnover tax regime in South Africa.

Chapter 2: Comparative analysis of the microbusiness tax regime

This chapter compares the microbusiness tax regime in South Africa, Australia, New Zealand, Singapore, and India, and the strategies these nations use to support their microbusinesses.

Chapter 3: Microbusiness tax rates and practices

Chapter 3 focuses on the second sub-problem, which compares the tax regime rates for microbusinesses across South Africa, Australia, New Zealand, Singapore, and India. It compares the various tax types, such as income and corporate tax, that affect microbusinesses and how these taxes are structured in different nations. The chapter aims to highlight potential adjustments that South Africa could consider to reduce the tax burden on its microbusiness sector.

Chapter 4: Tax compliance requirements for microbusinesses

This chapter compares South Africa’s turnover tax compliance requirements with those of Australia, New Zealand, Singapore, and India. Furthermore, it aims to compare challenges faced by microbusinesses due to the compliance requirements

Chapter 5: Comparative Analysis

This chapter undertakes a comparison of Paragraph 11 of the Sixth Schedule of the South African Income Tax Act No. 58 of 1962 (South Africa, 1962) with similar provisions in the tax legislation of selected countries. The aim is to identify the structural, functional, and applicatory nuances that distinguish Paragraph 11 of the Act within an international context.

Chapter 6: Recommendations and conclusions

Building upon the comparative insights gained in Chapter 5, this chapter articulates targeted recommendations for the National Treasury concerning potential refinements to Paragraph 11 of the Sixth Schedule of the South African Income Tax Act No. 58 of 1962.

1.7. Conclusion

Chapter 1 provided the background and discussions of the research problems addressed in this study. The discussions in this chapter are a presentation of the gaps in the turnover tax regime of South Africa, with a focus on Paragraph 11 of the Sixth Schedule of the Income Tax Act No. 58 of 1962, comparing it to the tax legislation governing tax on microbusinesses operating in Australia, New Zealand, Singapore and India. In the next chapter, a comparative analysis of the microbusiness tax regime is performed for South Africa, Australia, New Zealand, Singapore, and India, focusing on the strategies these nations have implemented to support their microbusinesses.

CHAPTER 2: A COMPARATIVE ANALYSIS OF MICROBUSINESS TAXATION IN SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, SINGAPORE, AND INDIA

2.1. Introduction

This chapter conducts a comparative analysis of the types of microbusiness tax regimes in South Africa, Australia, New Zealand, Singapore, and India to examine the strategies employed by these nations to support their respective microbusiness sectors. The administrative provisions of these types of taxes are covered in subsequent chapters. This chapter highlights the need to introduce the tax in the different countries.

The chapter will first discuss South Africa's turnover tax system which is a simplified approach to financial responsibilities for microenterprises, as it imposes taxes on gross revenue rather than the traditional net profit-based model (Buthelezi, 2023; SARS, 2024). This system benefits microbusiness as it reduces the compliance burden and administrative complexities associated with the income tax approach. Next, the chapter will discuss the introduction of microbusiness taxes in Australia, New Zealand, Singapore, and India.

The chapter will also discuss the unique challenges faced by small businesses in each country. For instance, Australia introduced the simplified tax system (STS) to provide relief for small businesses from complex tax obligations and encourage entrepreneurship and innovation (Australian Taxation Office (ATO), 2024). In contrast, New Zealand’s standard corporate tax simplifies tax compliance for small businesses and reduces administrative burdens, thereby promoting business growth and economic development (New Zealand Inland Revenue, 2024). On the other hand, Singapore introduced startup tax exemption (SUTE) and partial tax exemption (PTE) while India introduced the presumptive taxation sfcheme to support and nurture the growth of small businesses by providing them with a simplified tax framework tailored to their specific needs (IRAS, 2024; Indian Revenue Service (IRS), 2024).

2.2. Taxation of microbusinesses in South Africa

2.2.1. Taxation of businesses in South Africa

In South Africa, different business structures involve varying tax obligations. Most companies in South Africa are subject to corporate income tax at a rate of 27%, along with other taxes such as value-added tax (VAT) and capital gains tax (Fall, 2022). However, certain entities receive preferential treatment under specific provisions, such as small business corporations (SBC) as defined, which receive preferential tax treatment under Section 12E (4) of the South

African Income Tax Act no. 58 of 1962, aimed at promoting small enterprise development (South Africa, 1962). To qualify as an SBC, a company must meet certain financial requirements – specifically, a gross annual income not exceeding R20 million and total assets valued at less than R10 million (SARS, 2024). Figure 2 provides an overview of the different types of taxes applicable to businesses in South Africa.

Transitioning to individual tax obligations, personal service providers, including freelancers and consultants, are taxed according to the Fourth Schedule of the South African Income Tax Act no. 58 of 1962, aligning taxation with the nature and scope of their services (Leshomo, 2021). This framework, while maintaining consistent tax rates, establishes specific methodologies for calculating and collecting taxes from these individuals. Furthermore, under Section 37G of the South African Income Tax Act, natural persons engaged in small business undertakings as sole proprietors, who have not registered their businesses as microbusinesses, are taxed based on prescribed individual tax tables, with potential regulations set forth by the Minister of Finance (Jansen, Steyn, Ngobeni and Sithole, 2021).

While these tax structures cater to larger businesses and individual service providers, they do not address the needs of microbusinesses in South Africa. Recognising this gap, the government implemented the turnover tax regime in 2009, aiming to alleviate the administrative tax burden on microbusinesses (South Africa. National Treasury, 2009). This tax system was specifically designed to streamline the tax compliance process for microbusinesses, providing a simpler alternative to the traditional tax system and thereby allowing these enterprises to dedicate more of their resources to operational growth and less to navigating tax complexities (South Africa. National Treasury, 2009). This measure was introduced to simplify the tax system for small businesses and to help those small businesses focus on growing their operations, rather than dealing with tax complications (Moore, 2020). The effectiveness of turnover tax implementation remains uncertain, prompting ongoing discussions on its ability to fulfil its intended goals (Simbyakula and Hapompwe, 2024).

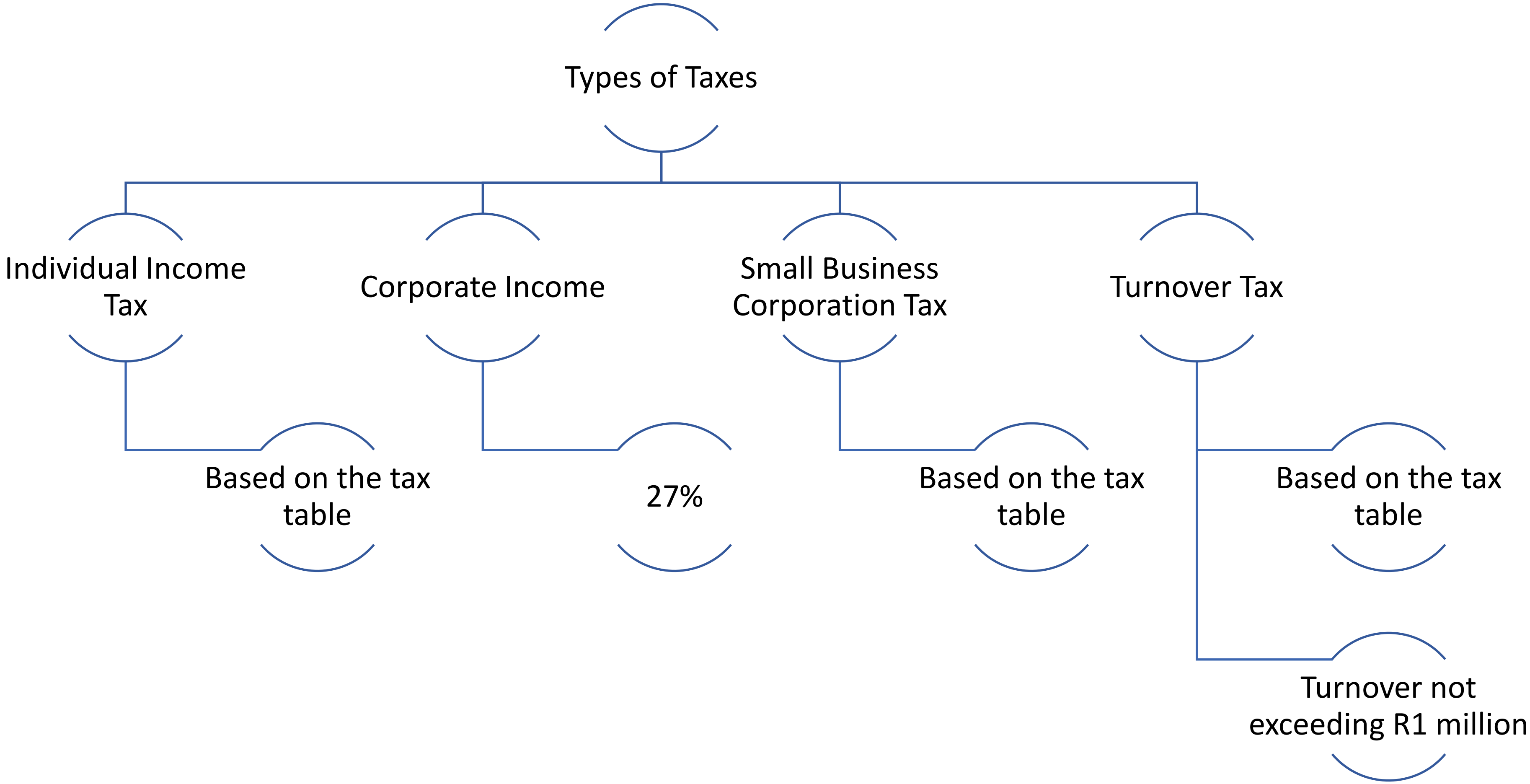

Figure 2: Types of Taxes in South Africa

2.2.2. Introduction of turnover tax in South Africa

Turnover tax, as outlined in the South African Income Tax Act, is specifically designed for microbusinesses (South Africa, 1962, Sixth Schedule). Turnover tax applies to microbusinesses. A microbusiness, as defined in paragraphs 2(1)(a) and (b) of the Sixth Schedule enshrined within the corpus of the South African Income Tax Act, as either an individual or a corporate entity whose aggregate qualifying turnover does not surpass the prescribed threshold of R1 million during the relevant fiscal year. Furthermore, the microbusiness cannot be a personal service provider (South Africa, 1962, Sixth Schedule, Part 2, Paragraph 2). Qualifying turnover encompasses total receipts from business activities, excluding capital amounts and tax-exempt sums (Born and Looney, 2022)

Certain businesses are excluded from the turnover tax system, such as individuals with equity interests in non-listed companies, those with over 20% of receipts from professional services, personal service providers, labour brokers, and those with significant income from asset disposals (South Africa, 1962, Sixth Schedule, Part 2, Paragraph 3). The 20% threshold therefore warrants careful consideration. For instance, a business offering a blend of professional services and goods may, in a year of diminished demand for its goods, inadvertently surpass this 20% threshold solely due to market fluctuations, thereby facing exclusion from microbusiness status (Chiromo, 2020). This scenario highlights the potential for unintended consequences arising from the rigid application of this rule, suggesting the need for a more nuanced approach that accommodates the variability inherent in business operations. Addressing this specific issue is not the focus of this report; it is therefore not addressed within this report due to the concentrated scope.

The reliance of the Sixth Schedule of the South African Income Tax Act 1962 no. 58 on 'receipts' rather than 'turnover' for determining eligibility has the potential to disproportionately impact the calculation and potentially disqualify businesses from microbusiness status (South Africa. National Treasury, 2010). 'Receipts' encompass all income, including that from non-operational activities such as asset sales in South Africa (South Africa. National Treasury, 2010). This is particularly relevant for businesses that may receive sporadic, significant income from sources outside their core operational activities, thereby skewing the percentage of income from professional services beyond the stipulated threshold without reflecting a true reliance on such services for their regular business operations (South Africa, 1962, Sixth Schedule, Part 2, Paragraph 3). This distinction between 'receipts' and 'turnover' highlights the potential for the current legislative framework to penalise businesses for income variations that do not accurately represent their operational focus or strategy (Sanders, 2020).

Additionally, companies with specific characteristics, like non-human shareholders, holdings in other companies, or specific year-end dates, and partnerships meeting certain criteria, are ineligible for microbusiness status (South Africa, 1962, Sixth Schedule, Part 2, Paragraph 3)

2.2.3. Turnover tax threshold

The R1 million threshold is pivotal as it delineates the scope of businesses classified as microenterprises, rendering them eligible for a simplified tax system (Ndlovu and Mohale, 2023). Policy decisions made by the National Treasury and the South African Revenue Service (SARS) determine the criteria for this classification and the threshold amount itself. The turnover tax system, as outlined in the Explanatory Memorandum on the Taxation Laws Amendment Bill (EM on the TLAB) of 2010 (South Africa. National Treasury, 2010), aims to incentivize the informal sector and small businesses to enter the tax system and regularize their tax affairs. This system offers an easier entry into the tax system compared to the traditional array of taxes faced by many microenterprises.

Businesses with an annual turnover of R1 million are eligible for turnover tax, and those utilizing this system are not required to register for VAT (EM on the TLAB, 2010). Section 23(1) of the Value-Added Tax Act, no. 89 of 1991, stipulates that businesses exceeding the R1 million threshold become liable for VAT registration. The relationship between the R1 million threshold and VAT underscores the intertwined nature of turnover tax and VAT compliance (EM on the TLAB, 2010).

The R1 million threshold, however, has not seen frequent adjustments for inflation, potentially impacting businesses nearing this threshold due to natural growth or inflationary pressures (Beer, Griffiths, and Klemm, 2023). Aligning the turnover tax threshold with the VAT threshold aims to create a cohesive tax system for microenterprises in South Africa (Schutte and Zwan, 2019). Despite the lack of adjustments to the VAT threshold, questions arise regarding the fairness and adaptability of this approach to economic conditions (Omodero, Jones, and Ekundayo, 2023). This alignment simplifies the tax framework for small businesses, exempting those eligible for the turnover tax system from standard VAT obligations (Lepheana, 2020).

The synchronization of turnover tax and VAT thresholds reduces administrative burdens and facilitates easier tax management for small business owners, including sole proprietors, partnerships, close corporations, cooperatives, and private companies (Ndlovu and Mohale, 2022). It's crucial for taxpayers to promptly deregister from the turnover tax regime upon surpassing the R1 million threshold, highlighting the complexities associated with turnover tax (SARS, 2024). Assessing and contrasting the turnover tax systems of South Africa with those of other countries is essential for determining the effectiveness of tax policies for microbusinesses in the country.

2.3. Taxation of microbusinesses in Australia

2.3.1. Simplified tax system (STS) introduction and evolution

Introduced on 1 July 2001, the simplified tax system (STS) offers a framework for small businesses with straightforward financial dealings to ascertain their taxable income. This system allows businesses the option to elect a base rate entity status, providing flexibility in determining their tax obligations without imposing a compulsory regime. Under section 328 of the Australian Income Tax Assessment Act 1997(Australia Income Tax Assessment Act, 1997), businesses electing to use the STS must indicate this choice in their annual income tax returns and reassess their eligibility each year to comply with the system's requirements. To accommodate the evolving needs of small businesses, the turnover threshold for STS eligibility was increased to AU$2 million on 1 July 2007, and the AU$3 million cap on depreciating assets was removed, as detailed in sections 328-110, 328-120, and 328-175 of the ITAA (1997) and supported by Tretola (2007). This adjustment reflects a concerted effort to ensure the STS remains relevant and accessible, thus continuing its objective of simplifying tax compliance and reducing administrative burdens.

2.3.2. Eligibility and Compliance for STS

To qualify for the STS, taxpayers must actively engage in business operations during the tax year, and maintain an STS average turnover not exceeding AU$1 million (increased to AU$2 million from 1 July 2007), inclusive of aggregated turnovers from grouped businesses. Additionally, in conjunction with any grouped businesses, they must not possess depreciating assets with a collective adjustable value surpassing AU$3 million at the fiscal year's end. The annual eligibility review, although mandatory, can be seen as an added administrative task for businesses, as noted by Khimich, Kargina, & Masolletti (2021). Grouping rules are applied to prevent businesses from restructuring or manipulating their operations to meet the STS criteria unfairly, as outlined in sections 328-130 and 328-355 of the ITAA (1997). These rules ensure that the aggregated turnover and assets of related businesses are considered, thereby preserving the integrity of the STS by preventing larger enterprises from exploiting tax concessions intended for small businesses.

2.3.3. Base rate entities and corporate tax rate adjustments

Moving to a more recent development, all corporations in Australia are generally subject to a tax rate of 30%, as stipulated by section 27 of the ITAA (1997). With the introduction of ‘base rate entities’ from the 2021/22 fiscal year, a reduced tax rate of 25% now applies to eligible base rate entities, as outlined in section 23 of the ITAA (1997). The specific criteria for qualifying as a base rate entity will be discussed in detail below. This change, aimed at supporting microbusinesses, provides them with additional capital through tax savings to reinvest in their businesses, thereby fostering economic growth and employment. The Law Companion Ruling (2019/5) (Australian Taxation Office, 2019) elucidate these adjustments.

A corporation must meet specific criteria to be classified as a base rate entity. It must not exceed an aggregated turnover of AU$50 million in an income year, and passive income sources, such as dividends, interest, and rent, must constitute no more than 80% of its total income, as specified in sections 328-110 and 328-120 of the ITAA (1997). The concept of aggregated turnover encompasses the annual gross income generated from a business's ordinary activities, excluding GST. Unlike South Africa, which has not adjusted its turnover threshold, Australia has adjusted its threshold. Initially set at AU$25 million for the 2017/18 income year, the threshold for the aggregated turnover was raised to AU$50 million from the 2018/19 income year onwards, as per section 328-130 of the ITAA (1997). This adjustment expanded the eligibility for the lower tax rate, benefiting a broader spectrum of businesses (Australian Taxation Office, 2019).

2.3.4. Timeline of key changes in taxation thresholds and criteria

2001: Introduction of the simplified tax system (STS) for small businesses.

2007: Revision of the STS turnover threshold to AU$2 million and removal of the AU$3 million cap on depreciating assets.

2021/22 Fiscal year: Introduction of 'base rate entities' with a reduced tax rate of 25% for eligible businesses.

2.4. Taxation of microbusinesses in New Zealand

2.4.1. Corporate tax framework in New Zealand

The New Zealand Income Tax Act of 2007 (New Zealand, 2007) serves as the cornerstone for corporate tax regulation, establishing a structured approach to taxing corporate entities. A pivotal element of this framework is the imposition of a standard corporate tax rate of 28%, which is applied to the net income of companies over a fiscal period (New Zealand, 2007). This rate is instrumental in determining the tax obligations businesses incur on the profits they amass.

2.4.2. Tax provisions for micro and small businesses

The taxation landscape for micro and small businesses in New Zealand is characterized by specific provisions that cater to the unique needs of these enterprises. The Income Tax Act of 2007 facilitates the carry-forward of losses, allowing businesses to offset future profits with past losses, thereby ensuring taxation is based on net income over time (New Zealand, 2007). Stringent continuity tests, such as the ownership and business continuity tests outlined in Subpart IZ, are enforced to safeguard against the misuse of tax losses. These tests ensure that only shareholders who have faced the economic brunt of losses benefit from tax deductions and that companies maintain consistent business operations to utilize these losses (New Zealand Inland Revenue Department, 2024). Furthermore, small businesses are taxed based on the individual income tax rates of their owners, unless they opt for incorporation, which subjects them to a corporate tax rate of 28% on their profits (New Zealand Income Tax Act, 2007, Sections CX 62, HG 3, YA 1).

2.4.3. Support and relief measures for businesses

The New Zealand government acknowledges the distinct challenges small businesses face, especially in light of the COVID-19 pandemic, by introducing targeted financial assistance programs such as the Small Business Cashflow (Loan) Scheme (Office of the Minister of Finance, 2020). Comparable initiatives have been undertaken by the South African government, providing financial support to businesses adversely affected by the pandemic through the SMME Debt Relief Finance Scheme and the Business Growth/Resilience Facility (South African Government, 2024). Despite the closure of the Small Business Cashflow Scheme application window on 31 December 2023, the ongoing support it extends underscores the importance of such initiatives. The complexity of tax regulations, which can disproportionately impact small businesses, highlights the critical need for tailored support mechanisms within New Zealand's tax policy framework to facilitate compliance and planning for these entities (Dom, Prichard, Custers and Davenport, 2022; Inland Revenue, 2024).

2.5. Taxation of microbusinesses in Singapore

2.5.1. Singapore's Corporate Tax Regime

In Singapore, the corporate tax framework is characterized by a uniform tax rate of 17% on net income, as mandated by the Singapore Income Tax Act 2007 No. 97 (Republic of Singapore, 2007). This rate is applied to the chargeable income of businesses, positioning Singapore as a competitive locale for entrepreneurial pursuits and foreign investments. The Act's provisions underscore the nation's strategy to bolster economic activity and innovation through attractive tax policies (Republic of Singapore, 2007, Section 43; IRAS, 2024).

2.5.2. Startup tax exemption (SUTE) scheme

The SUTE scheme, launched during the 2005 year of assessment, plays a pivotal role in nurturing the entrepreneurial ecosystem. It provides significant tax relief to new startups by exempting a substantial portion of their initial chargeable income. Specifically, 75% of the first S$100,000 and 50% of the subsequent S$100,000 of chargeable income are exempt for the first three years of assessment. While this scheme facilitates early-stage cash flow and growth, it applies uniformly, offering the same benefits to all eligible startups irrespective of their profitability, which might not align with the varying financial needs and timelines of different ventures (Lee, 2021; IRAS, 2024; Valderrama & , 2021).

Criteria for SUTE eligibility are stringent, ensuring that the benefits are directed towards genuine startups. Qualifying companies must be incorporated in Singapore, hold tax residency in Singapore for the assessment year, and have a shareholder structure with no more than 20 shareholders, where at least one holds a minimum of 10% of the issued ordinary shares. These criteria underscore the intent to support startups closely linked to their management and operational ethos (Republic of Singapore 2007, Section 43B; IRAS, 2024).

2.5.3. Partial tax exemption (PTE) scheme

Complementing the SUTE, the PTE scheme extends tax exemptions to a broader range of companies, including established businesses beyond the startup phase. Initiated in the same year as the SUTE, this scheme reflects the government's holistic approach to tax relief, supporting business growth across various stages. Under the PTE, eligible companies enjoy a 75% exemption on the first S$10,000 of chargeable income and a 50% exemption on the following S$190,000. This broad-based support is instrumental in reducing the overall tax liability, facilitating the continuous development and scaling of businesses within Singapore's dynamic economic framework (Republic of Singapore 2007, Section 43E; IRAS, 2024; Toh, 2022).

2.6. Taxation of microbusinesses in India

2.6.1. Corporate taxation under the Indian Income Tax Act of 1961

Corporate businesses in India are taxed under the Indian Income Tax Act 1961 (Republic of India, 1961), which is the primary legislation governing the taxation of all individuals, companies, firms, and other entities in India (IRS, 2024). The tax rate for corporate entities depends on various factors, including the type of company, its annual turnover, and whether it qualifies as a domestic or foreign company (IRS, 2024). For domestic companies, the Indian Income Tax Act of 1961 provides for tax rates subject to the annual Finance Acts passed by the government. As of the latest provisions, corporate tax rates for domestic companies vary based on their turnover and the choice of taxation regime – the traditional tax regime or the new concessional tax regime introduced in 2019 under Section 115BAA. Under the traditional regime, companies with a turnover of up to INR 400 crore in the previous year are taxed at 25%, whereas others are taxed at 30% (Government of India: Ministry of Finance, 1961, Section 115BA). Under the new regime, companies can opt for a lower tax rate of 22% but must forego certain deductions and incentives (Government of India: Ministry of Finance, 1961, Section 115BAA).

2.6.2. Minimum alternate tax and tax simplification measures

To ensure that all profit-making companies pay a minimum level of tax, the minimum alternate tax (MAT) system was established. MAT is a tax system introduced to guarantee that companies that benefit from deductions, exemptions, and incentives under tax laws still pay a minimum tax amount (Government of India: Ministry of Finance, 1961). This framework targets corporations that report profits in their financial statements but exploit various tax law provisions to declare negligible taxable income, thereby paying minimal or no Indian income tax (Gupta, 2023). The MAT is based on the calculation of tax liability based on 'book profits', which are the disclosed net profits in the financial statements, adjusted according to specific items delineated in the tax codes (IRS, 2024). 'Book profits' essentially refer to the profit after tax as per the company's financial accounting, adjusted following the prescriptions of the Income Tax Act (IRS, 2024). The current MAT rate is positioned at 15% for companies opting to adhere to the Indian income tax regime as delineated in Section 115JB of the Indian Income Tax Act. It mandates that companies must pay tax at least equivalent to 15% of their book profits, even if the computed tax liability under the standard income tax provisions, after considering various deductions and exemptions, is lower (IRS, 2024). The MAT framework is designed to ensure a fundamental level of tax contribution from all profit-generating companies, effectively reducing instances where companies could evade tax payments through strategic tax planning and the exploitation of various incentives (Gupta, 2023). Under Section 115BAA of the Indian Income Tax Act, 1961, domestic companies opting for a reduced corporate tax rate of 22% must relinquish several deductions and incentives that were previously available.

2.6.3. Tax Provisions for microbusinesses, including HUFs

The Income Tax Act of 1961, supplemented by the Micro, Small and Medium Enterprises Development Act (MSMED) Act of 2006 (Micro, Small and Medium Enterprises Development Act , 2006) outlines the tax treatment for micro and small businesses, categorizing them based on their investments in plant, machinery, or equipment to facilitate tax incentives that encourage the development of small-scale industries. Microenterprises, as categorised by the MSMED Act, are manufacturing entities with investment in plant and machinery not exceeding INR 25 lakhs, or service entities with investment in equipment not exceeding INR 10 lakhs. Small enterprises are defined as manufacturing entities with investments between INR 25 lakh and INR 5 crore, or service entities with investments between INR 10 lakh and INR 2 crore. These enterprises may avail themselves of tax incentives under the Income Tax Act aimed at promoting small-scale industries.

Administered by the Indian Revenue Service (IRS), the presumptive tax provisions for small-scale enterprises are laid out in Sections 44AD, 44ADA, and 44AE of the Indian Income Tax Act. The goal is to offer a simplified fiscal framework that provides relief to small taxpayers, eliminating the requirement for detailed accounting (Shome and Shome, 2021a).

Section 44AD of the Indian Income Tax Act imposes a presumptive taxation scheme tailored for small businesses wherein taxpayers have the prerogative to declare their income as a proportion of gross receipts (Chokhawala, 2024). The eligibility for this scheme extends to resident individual taxpayers, Hindu undivided families (HUF), or partnership firms domiciled within India, excluding limited liability partnership firms governed by the Limited Liability Partnership Act, 2008 (Shome and Shome, 2021a). The specific inclusion of HUFs, and not religious entities per se, is rooted in the structure of Indian tax law, which recognises HUFs as a separate and distinct tax entity due to their unique formation and governance structure inherent in Hindu law, rather than a distinction based on religion. This legal recognition allows HUFs to be treated differently for tax purposes, including eligibility for the presumptive taxation scheme under Section 44AD, aiming to accommodate diverse socio-legal entities operating within India's economic framework.

Eligible taxpayers under Section 44AD can benefit from the scheme by declaring their income at a presumptive rate of 8% of their total turnover, or 6% if their turnover is received through banking or digital channels, provided their annual turnover does not exceed INR 2 crores. The scheme eases the burden of maintaining detailed financial records and allows for the payment of advance tax in a single instalment by 15 March of each financial year. Additionally, eligibility mandates that the taxpayer refrains from availing deductions under specified sections and that the total turnover or gross receipts in the preceding fiscal year do not surpass the prescribed threshold of two crore rupees (Shanbhag and Shanbhag, 2020). Certain professions and income categories are expressly excluded from eligibility under Section 44AD (Chokhawala, 2024). Specifically, individuals engaged in professions such as accounting, medical, engineering, architecture, law, technical consultancy, interior decoration, and other notified professions are not eligible under Section 44AD, but may consider Section 44ADA specified for professionals. Furthermore, businesses earning income from commissions or brokerage, agency businesses, or those involved in hiring, leasing, or plying goods carriages, covered under Section 44AE, are also excluded. These exclusions were based on the unique financial dynamics and professional standards of these categories.

2.7. Comparative analysis

Referring to Table 1, it is evident that there is a diversity in tax regimes and criteria for small and microbusinesses across South Africa, Australia, New Zealand, Singapore, and India. Each country has tailored its tax system to suit its economic environment; for instance, India introduced its presumptive taxation scheme as early as 1961, making it the pioneer among the listed countries in implementing tax reforms targeting small businesses. Conversely, South Africa's introduction of the turnover tax in 2009 marks the most recent initiative among these nations, highlighting a varied pace in the adoption of tax policies conducive to small business growth.

This table not only showcases the unique approaches to microbusiness taxation in these countries, but also underlines a shared recognition of the sector's significance, albeit with significant variations in implementation timelines and eligibility criteria.

Table 1: Comparison

Criteria	South Africa	Australia	New Zealand	Singapore	India
Tax Regime	Turnover tax	Simplified tax system (STS)	Standard corporate tax	Startup tax exemption (SUTE) and partial tax exemption (PTE)	Presumptive taxation scheme
Microbusiness Section/Legislation	Sixth Schedule of the Income Tax Act No. 58 1962	Income Tax Assessment Act 1997 (ITAA 1997)	New Zealand Income Tax Act 2007	Singapore Income Tax Act 2007 No. 97	Income Tax Act of 1961
Year Introduced	2009	2001	2007	2005	1961
Eligibility	Annual turnover not exceeding R1 million	STS: Turnover ≤ AU$2 million, depreciating assets ≤ AU$3 million	All corporate companies despite size	SUTE: New startups with ≤ 20 shareholders; PTE: All tax resident companies	Resident individuals, HUFs, partnership firms, Turnover ≤ INR 2 crores
Threshold	R1 Million	STS: AU$2 million, Base Rate Entity: AU$50 million	Not specified	Not specified	INR 2 crores
Exemption	Not specified	Not specified	Not specified	SUTE: First S$100,000 (75% exemption), Next S$100,000 (50% exemption)	Not specified

2.8. Comparison of the thresholds

In this comparative study tax thresholds were analysed to assess the eligibility of microbusinesses for tax regimes. To translate the thresholds from USD to ZAR, an average exchange rate of R18.4527 for 1 million dollars was utilised, which was sourced from the South African Reserve Bank (SARB) Converter (South African Reserve Bank, 2024.) as the average rate from 2009 until 2024. This approach is adopted to ensure consistency and stability in the analysis, encompassing data from 2009 to the present. The decision to employ an average exchange rate stems from the need to mitigate the impact of fluctuating spot rates, which may be influenced by various economic factors, including inflation (Egilsson, 2020). Given the unprecedented disruptions caused by the COVID-19 pandemic in 2020, employing spot rates could obscure the analysis by introducing distortions that are not reflective of normal trading circumstances (Wullweber, 2020). The use of an average exchange rate provides a more reliable and representative basis for comparisons across different temporal contexts. Additionally, it is noteworthy that the South Africa was the last of the five countries in this study to implement a tax on SMEs, with its tax only being introduced in 2009.

Table 2: Comparison of turnover tax thresholds translation

Country	Microbusiness threshold	Average exchange rate	Translated to South Africa rand
South Africa	R1 000 000	18.4527	R1 000 000
Australia	AU$2000 000		R36 900 000
New Zealand	0		-
Singapore	0		-
India	INR 2 crores		R4 448 664

The comparative analysis reveals significant disparities between the South African, Australian and Indian micro tax thresholds. The translated threshold of R36 900 000 in Australia and R4 448 664 in India substantially exceeded the turnover tax threshold of R1 000 000. The R1 000 000 threshold might exclude a significant number of growing small businesses that could benefit from simplified tax compliance, particularly those on the cusp of exceeding this threshold (Schutte, Labuschagne, Georgescu and Pop, 2019) This discrepancy implies a broader eligibility pool for small businesses under the STS regime compared to South Africa's turnover tax system

Given the comparative analysis, there appears to be a need for South Africa to reassess its turnover tax threshold to ensure it encompasses a broader range of small businesses, thereby aligning more closely with international standards and supporting the local microbusiness ecosystem more effectively.

2.9. Summary

In summary, this chapter provided a detailed examination of the microbusiness taxation systems in South Africa, Australia, New Zealand, Singapore, and India, with regard to the unique strategies and provisions each country employs to support the growth and sustainability of microbusinesses. South Africa's turnover tax system, as discussed in the context of the South African Income Tax Act No. 58 of 1962 and further illuminated by Buthelezi (2023) and SARS (2024), offers a simplified approach aimed at reducing the compliance burden on microbusinesses.

Australia's simplified tax system and New Zealand's business-friendly tax provisions, as per the Australian Taxation Office (2020) and the New Zealand Income Tax Act of 2007 respectively, demonstrate these countries' commitment to nurturing a supportive environment for small businesses. Additionally, Singapore's Startup Tax Exemption scheme, as outlined in the Singapore Income Tax Act 2007 No. 97 and analysed by Lee (2021), and India's Presumptive Taxation Scheme under Section 44AD of the Indian Income Tax Act, highlighted by Shome and Shome (2021a), showcase targeted initiatives designed to alleviate tax-related challenges and promote entrepreneurial activities. These international perspectives not only affirm the critical role of microbusinesses in economic development, but also provide valuable insights into potential enhancements for South Africa's turnover tax regime.

By combining these global practices, South Africa can identify opportunities to refine its approach to microbusiness taxation, thereby fostering a more conducive environment for the growth and sustainability of microenterprises within its borders. This revised conclusion concisely summarises the key findings from the comparative analysis and underscores the implications for South Africa's turnover tax system, aligning with the expectation to summarise the chapter's content effectively.

CHAPTER 3: A COMPARISON OF TAX RATES FOR MICROBUSINESSES IN SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, SINGAPORE, AND INDIA

3.1. Introduction

This chapter focuses on the second sub-problem, which compares the tax rates for microbusinesses across South Africa, Australia, New Zealand, Singapore, and India. Wen (2023) reflected that while lower turnover tax rates might encourage larger companies to deliberately decrease their sales, it is also important that these rates are not set too high, as this could deter businesses from formalising their operations (Wen, 2023).

Microbusinesses often benefit more from lower tax rates than larger businesses (Jouste, Nalukwago, and Waiswa, 2021). These favourable tax rates are designed to support and encourage the growth of small enterprises (Eton, Mwosi, Okello-Obura, Turyehebwa and Uwonda, 2021). Understanding the specific tax rates and practices for microbusinesses is essential for ensuring compliance and maximising tax benefits (Peprah, Abdulai, and Agyemang-Duah, 2020). Mutinda (2022) implies that a simple reduction in tax rates may not be sufficient to significantly improve compliance levels among the targeted sectors.

In an International Monetary Fund (IMF) working paper by Wen (2023), it was observed that the optimal turnover tax rate for countries with large informal sectors is around 2.5% across most scenarios (Wen, 2023). This rate balances the need for revenue generation with the minimisation of economic distortions and compliance costs, particularly in environments where informal sectors are significant (Wen, 2023). A rate lower than 2.5% could potentially lead to inadequate revenue generation for governments, undermining their ability to fund essential services and investments (Wen, 2023). Conversely, a rate higher than 2.5% could disproportionately burden businesses, especially small and medium-sized enterprises that are more sensitive to tax rates due to their narrower profit margins (Wen, 2023). The threshold for transitioning from a turnover tax regime to a profit tax, identified between USD 65,000 and 95,000, reflects a recognition of the different capacities of businesses to comply with more complex tax structures and their varying impacts on economic activity (Wen, 2023).

This chapter focuses on understanding and comparing turnover tax rates and their implications for microbusinesses, specifically in South Africa, Australia, New Zealand, Singapore, and India. Recognising the need to strike a balance between promoting business formalisation and avoiding undue burdens, this comparison will draw on the findings of Wen (2023), who suggests an optimal turnover tax rate of 2.5% to address the revenue needs and economic strength in countries with significant informal sectors. By comparing each country's approach in relation to this benchmark, the report will study the consequences of these tax policies for microbusinesses, given their vulnerability to tax burdens due to their limited profit margins.

3.2. Microbusiness tax rates in South Africa

In South Africa, the rates of turnover tax vary depending on the taxable turnover of the business, with specific rates applied to different turnover brackets to calculate the tax due (Bachas and Soto, 2021).

For small and microbusinesses that do not opt for turnover tax, they may register as small business corporations (SBCs) (Kganyago, 2022). While SBC taxation offers progressive tax rates based on taxable income (Fall, 2022), it is important to note the comparative advantages of the turnover tax system. Specifically, turnover up to R335 000 is tax-free, presenting a bigger gap in tax relief compared to the SBC framework, where the tax-free threshold extends only up to R95 750. Those who achieve high profits may find the turnover tax system more financially beneficial, given its wider tax-free threshold and potentially reduced tax obligations when compared with the SBC framework (SARS, 2024).

Table 3: Turnover tax

2024 Turnover tax table				
R1 – R335 000	**R335 001 – R500 000**	**R500 001 – R750 000**	**R750 001 and above**	
0% of taxable turnover	1% of taxable turnover above R335 000	1 650 + 2% of taxable turnover above R500 000	R6 650 + 3% of taxable turnover above R750 000	
2009 Turnover tax				
R0 to R100 000	**R100 001 to R300 000**	**R300 001 to R500 000**	**R500 001 to R750 000**	**R750 001 and above**
0% of taxable turnover	1% of each R1 above R100 000	R2 000 + 3% of the taxable turnover above R300 000	R8 000 + 5% of the taxable turnover above R500 000	R20 500 + 7% of the taxable turnover above R750 000

Based on Table 3, it is notable that the turnover tax revision from 2009 to 2024 has been adjusted to support microbusinesses. The tax-free threshold increased significantly by 235% from R100 000 in 2009 to R335 000 in 2024. For the bracket of R500 001 to R750 000, the tax rate decreased from 5% in 2009 to 2% in 2024, a reduction of 60%. The fixed tax amount within this bracket was reduced by approximately 79.38%, from R8 000 in 2009 to R1 650 in

2024. These changes suggest a significant relief in the tax burden for microbusinesses within this revenue range.

In accordance with the Republic of South Africa Rates and Monetary Amounts and Amendment of Revenue Laws Bill of 2021 (Republic of South Africa Rates and Monetary Amounts and Amendment of Revenue Laws Bill, 2021), turnover tax rates in South Africa have remained unchanged for years, with the most recent data indicating no adjustments from 2021 to 2024 (South African National Treasury Budget Speech, 2024). This stability in rates has led to questions about fairness and the potential for bracket creep, where inflation gradually pushes taxpayers into higher tax brackets without an actual increase in real income (Domingo and Torregrosa-Hetland, 2024). Non-adjustments for inflation can erode the purchasing power of taxpayers, as their nominal income increases but their tax rates remain static, effectively increasing their tax burden over time (Casalin, Dia, and Hallett, 2020). These rates are determined annually and are subject to the approval of the parliament, as proposed by the South African Minister of Finance during the annual Budget Speech.

3.3. Microbusiness tax rates in Australia

The tax landscape for microbusinesses, which falls within the broader category of small business taxation, has evolved significantly in Australia (Australian Government Treasury, 2024). Initially, the company tax rate stood at 45% during 1973-1979, marginally increasing to 46% until 1986, reflecting broader economic policies rather than a focus on business size (Australian Government Treasury, 2024). The rate peaked at 49% in 1986 to align with the top personal tax bracket, indicative of efforts to equalize treatment across income types rather than address business scale specifically (Australian Government Treasury, 2024).

A significant turn occurred in 1988 when the rate was lowered to 39%, a strategic move to boost Australia's appeal to foreign investors and stimulate domestic growth, marking the beginning of a trend towards more competitive corporate tax rates (Fernandez, Almaazmi and Robinson, 2020). This trend continued, with rates dropping to 33% by 1993 as part of broader economic development strategies and global tax alignment efforts (Australian Government Treasury, 2024).

It was not until 2017 that tax policy began to differentiate tax percentages based on business size, introducing a reduced rate of 27.5% for businesses with an annual turnover under AU$25 million, provided less than 80% of their income was passive. This move signalled a shift towards supporting SMEs, recognizing their role as key innovation and employment drivers by offering them a more favourable tax environment (Australian Government Treasury, 2024).

Carrying forward into 2024, the tax policy maintains this distinction, applying a 25% rate to base rate entities as set from 2021-22 to the income year onwards (ATO, 2024). To be considered a base rate entity, a company must have an aggregated turnover of less than AU$50 million and derive 80% or less of its assessable income from passive income (ATO, 2024). All other companies that do not meet these criteria for a base rate entity are taxed at the full company tax rate of 30% (ATO, 2024) similar to the South African corporate tax of 27% (SARS, 2024).

Sariyev (2022) argues that the current Australian company tax rates are unfair as they disproportionately benefit small to medium-sized businesses, potentially creating an uneven playing field in the business sector. Larger corporations with higher turnover and potentially more resources should be subject to a higher tax rate to ensure a fair distribution of tax responsibilities among businesses of all sizes (Kapeller, Leitch and Wildauer, 2021)

3.4. Microbusiness tax rates in New Zealand

The tax reforms implemented in New Zealand during the 1980s, particularly during the ‘Rogernomics’ era (named after the then Finance Minister Roger Douglas), substantially altered the country's tax system, including a notable reduction in corporate tax rates from 48% to 28% (Tenbensel and Ashton, 2020; Hungerford, 2012). These reforms, underpinned by the Labour government's neoliberal policies, aimed to stimulate economic growth and international competitiveness through various measures, such as adjusting tax rates (Elbra, Mikler and Murphy-Gregory, 2023). It is important to note that the corporate tax rate in New Zealand is consistent and applies uniformly at 28% to all businesses, irrespective of their size, ranging from micro to large enterprises (Haar, O’Kane and Daellenbach, 2022). This uniformity means that all types of businesses are subject to the same rate, which is a crucial factor when assessing the impact of tax policies on the diverse business landscape (Haar, O’Kane and Daellenbach, 2022).

The tax system in New Zealand underwent significant reforms in the 1980s, leading to major changes in tax rates and structures (Tenbensel and Ashton, 2020). The top marginal rate of income tax was reduced from 66% to 33% in the 1980s, and the corporate income tax rate was reduced from 48% to 28% during the 1980s as part of significant tax reforms implemented by the Labour government (Hungerford, 2012). The specific timing of this reduction was from 1984 to 1990, which marked a period of extensive economic restructuring and liberalisation commonly referred to as ‘Rogernomics’.

The rationale for this uniform taxation was multifaceted, rooted in a broader vision of economic deregulation and fiscal reform designed to stimulate efficiency, entrepreneurship, and international competitiveness (Elbra, Mikler and Murphy-Gregory, 2023). By adopting a flat corporate tax rate, the government sought to remove the complexities and disparities that could hinder the growth and agility of microbusinesses, thereby encouraging a more vibrant and inclusive economic ecosystem (Murray, Wallace and Rohani, 2023).

In comparing the 28% rate to tax rates applied to larger corporations, microbusinesses may perceive disparities in their ability to shoulder tax burdens (Paleka and Vitezić, 2023). Larger corporations often have greater financial resources and economies of scale, enabling them to absorb higher tax rates more effectively (Didier, Huneeus, Larrain and Schmukler, 2021). This discrepancy can lead microbusinesses to view the 28% rate as less equitable, as they may struggle to compete with larger firms operating under the same tax regimes (Te Ara Encyclopedia of New Zealand, 2024).

3.5. Microbusiness tax rates in Singapore

Corporate tax in Singapore is set at a competitive rate of 17%, which is lower than many other countries in the Asia-Pacific region and globally. This tax rate, which has seen a gradual reduction from 26% in the late 1990s to its current rate, is part of Singapore's strategy to enhance its appeal to businesses and investors (IRAS, 2024). Notably, Singapore does not impose a separate tax regime for microbusinesses. Instead, it supports these businesses through two key schemes, the SUTE and PTE schemes. These initiatives, introduced to fortify the entrepreneurial landscape, aim to mitigate the tax burden on nascent businesses, providing them with a financial breather that can be redirected towards growth and expansion efforts (Bhattacharya, Ivanyna, Oman, and Stern, 2021).

Historically, corporate tax in Singapore was introduced at a rate of 26% during the 1997 to 2000 assessment years (IRAS, 2024). Subsequent years witnessed a phased reduction in this rate, aimed at enhancing Singapore's competitive edge as a business hub (IRAS, 2024). These reductions saw the rate decline to 25.5% in 2001, 24.5% in 2002, 22% in 2003 and 2004, 20% in 2005 and 2006, and 18% from 2007 to 2009 (IRAS, 2024). Since 2010, the rate has been maintained at 17%, underscoring a stable fiscal policy (IRAS, 2024).

Singapore's all businesses corporate tax rate of 17% is competitive compared with other countries in the Asia-Pacific region and globally (Fan and Zhang, 2023). For example, corporate tax rates in Australia range from 25% to 30%, in China, they are 25%, and in India, they are 25% for domestic companies (IRAS, 2024). This competitive rate, coupled with a range of tax incentives and exemptions, makes Singapore an attractive destination for businesses (Alderrama & Balharová, 2021). Considering these factors, the 17% corporate tax rate in Singapore is generally viewed as fair and conducive to fostering a vibrant business environment (Fang, 2023).

3.6. Microbusiness tax rates in India

In the framework of India's presumptive taxation scheme under the Income Tax Act of 1961, tailored for microbusinesses (Sections 44AD, 44ADA, and 44AE), an adjustment in the taxation rate was made to encourage digital transactions over cash-based operations (India Income Tax act, 1961). Initially, the scheme mandated a presumptive income tax rate of 8% on turnover or gross receipts, applicable until the assessment year 2016-17 (Chatterjee and Sarkar, 2023). The Finance Act of 2017 amending Section 44AD introduced incentives to enhance digital transactions within the microbusiness sector: the tax rate on turnover received through digital channels was reduced to 6%, provided that at least 95% of the receipts are through non-cash means (Chatterjee and Sarkar, 2023). Non-cash transactions mean transactions through account payee cheques, bank drafts, or electronic clearing systems (Chatterjee and Sarkar, 2023). This revised rate took effect from AY 2017-18, signalling a concerted effort by the government to decrease cash-based transactions and promote a digital economy (India Tax Department, 1961). This transition from an 8% to a 6% tax rate, applicable to businesses with a turnover of less than Rs. 2 crore, marks a critical juncture in the taxation policy for microbusinesses (Indian Income Tax Act, 1961).

Professionals under the India Income Tax Act of 1961 section 44ADA, who can include individuals like doctors, lawyers, engineers, and so forth, have a threshold of gross receipts set at INR 50 lakh, which is proposed to be increased to INR 75 lakh from AY 2024-25 to with the condition that 95% of receipts are through non-cash means (Chatterjee and Sarkar, 2023). The proposal to increase the threshold limit to INR 75 lakh from AY 2024-25 is aimed at benefiting more individuals in the small and medium professional segment (Chatterjee and Sarkar, 2023). This change is part of a broader effort to ease compliance burdens and promote non-cash transactions, as highlighted in the Finance Bill, 2024 (India. Lok Sabha, 2024). By raising the threshold, a larger number of professionals who operate on a smaller scale can take advantage of the presumptive taxation scheme, provided their cash receipts do not exceed 5% of the total receipts (India. Lok Sabha, 2024). The presumptive income in section 44ADA is 50% of the total gross receipts (India. Lok Sabha, 2024) .

The Indian government places high importance on digital transactions because they contribute significantly to the ease of living for citizens, financial inclusion, and the growth of businesses and the economy (Vyas and Jain, 2021). They offer an instant and convenient mode of payment, allowing for the instantaneous transfer of money, which is particularly beneficial in a country as vast and populous as India (Vyas and Jain, 2021). Moreover, the government's Jan Dhan-Aadhaar-Mobile Trinity (Goel, 2020) initiative has been pivotal in increasing digital transactions, aiming for a ‘Faceless, Paperless, Cashless’ society (Sam, Chakraborty and Srinivasan, 2021). This initiative focuses on providing seamless, convenient, affordable, quick, and secure digital payment facilities to all Indian citizens (Sam, Chakraborty and Srinivasan, 2021). Digital transactions have seen unprecedented growth in recent years, with various digital payment modes like BHIM-UPI, IMPS, and NETC experiencing substantial growth and transforming the digital payment ecosystem by increasing both person-to-person and person-to-merchant payments (Mohan and Kumari, 2023).

When Section 44AE was introduced, it was applied to assess who owned not more than ten goods carriages at any time during the previous year (Shome and Shome, 2021b). The income for heavy goods vehicles was computed at a rate of Rs. 1 000 per ton of gross vehicle weight for each month or part of a month the vehicle was owned (Shanbhag and Shanbhag, 2021). To elucidate, for example a business owns a heavy goods vehicle with a gross weight of 20 tons, and it is held for 3 months. The income from this vehicle would be calculated at Rs. 1 000 per ton for each month, amounting to Rs. 60 000 (20 tons * Rs. 1 000/ton * 3 months).

For vehicles other than heavy goods vehicles, income is computed at a flat rate of Rs. 7 500 per vehicle per month or part thereof (Shome and Shome, 2021b). For instance, if an entity owns two such vehicles and has them for 2 months, the computed income would be Rs. 30 000 (2 vehicles * Rs. 7 500/vehicle * 2 months). If the actual income is higher than the presumptive rates, taxpayers have the option of declaring a higher income (Shome and Shome, 2021b).

In a subsequent amendment, for the financial year 2018-2019, the provision for calculating taxable income under section 44AE was further specified to distinguish between light and heavy goods vehicles (Shanbhag and Shanbhag, 2021). Light goods vehicles, defined as those with a gross weight of less than 12MT, continued to have a presumptive income of Rs. 7 500 per vehicle per month (Shanbhag and Shanbhag, 2021). For heavy goods vehicles, which are those with a gross weight exceeding 12MT, the income was set at Rs. 1 000 per tonne per month (Shanbhag and Shanbhag, 2021). Finally, the net taxable income is taxed at the rates applicable to the taxpayer's income slab. If a taxpayer owns more than ten goods carriages, they would not be eligible for the benefits under Section 44AE and would need to compute their business income according to the regular provisions of the Income Tax Act (Shanbhag and Shanbhag, 2021).

3.7. Comparative analysis

Table 4 illustrates a wide-ranging approach to taxation in South Africa, Australia, New Zealand, Singapore, and India, each of which is tailored to the unique business landscapes in these countries. In South Africa, progressive tax rates provide a gentle start for microbusinesses, gradually increasing with turnover to support early growth stages. Australia's differentiation between base rate entities and others offers tax benefits to small, active businesses, thereby promoting a thriving small business sector. On the other hand, New Zealand's 28% flat tax rate, though simple, lacks the progressive benefits that cater specifically to microenterprises. In Singapore, a universally low corporate tax rate of 17% creates a favourable climate for businesses of all sizes but does not specifically target microbusinesses.

India's taxation system stands out due to its nuanced support for microbusinesses, particularly those engaged in digital transactions or professional services. The 6% lower tax rates for digital receipts and the presumptive income scheme for professionals alleviate the tax burden on small businesses, thereby promoting growth and digital integration. As illustrated in the table above, South Africa can enhance its support for microbusinesses by adopting India's approach, which involves providing a lower tax rate and targeted tax incentives, particularly for digital transactions and professional services.

Table 4: Comparison table

Category	South Africa	Australia	New Zealand	Singapore	India
Tax rate details	0% on the first R335 000 of turnover. 1% on turnover above R335 000 up to R500 000. R1,650 plus 2% on turnover between R500 001 and R750 000. R6 650 plus 3% on turnover above R750 001.	25% for base rate entities (aggregated turnover of less than AU$50 million and 80% or less passive income). 30% for all other companies.	28% corporate tax rate for all businesses irrespective of size.	17% standard corporate tax rate for all businesses irrespective of size.	8% on turnover or gross receipts for eligible businesses under Section 44AD of the Income Tax Act of 1961. Reduced to 6% for receipts through banking/digital means. For professionals under Section 44ADA, 50% of gross receipts are considered as presumptive income with thresholds set at INR 50 lakh, proposed to increase to INR 75 lakh.

3.8. Summary

This chapter provides a comparative analysis of microbusiness tax rates and practices across South Africa, Australia, New Zealand, Singapore, and India. The findings highlight the diversity of tax regimes and the varying degrees of support provided to microbusinesses within these jurisdictions. In South Africa, the simplified turnover tax system is designed to ease the tax compliance burden for microbusinesses, promoting formalisation and economic participation (SARS, 2024). However, the stability of tax rates without adjusting for inflation may result in bracket creep, undermining the system's fairness over time (Domingo & Torregrosa-Hetland, 2024; Casalin, Dia and Hallett, 2020).

The tax systems in Australia, New Zealand, Singapore, and India, each with their distinct features, offer varying degrees of support for microbusinesses. In Australia, corporate tax rates provide reduced rates for smaller entities, promoting sustainability and expansion within the microbusiness sector (Australian Government Treasury, 2024; Bottrell, 2023). In New Zealand, historical tax reforms aimed at stimulating economic growth and international competitiveness have resulted in a straightforward tax regime for microbusinesses, aligning their tax obligations with those of individuals and simplifying compliance (Hungerford, 2012; Yong and Freudenberg, 2020).

In Singapore, the government's commitment to nurturing the growth of SMEs and startups is reflected in the significant tax reliefs offered through the SUTE and PTE schemes, providing a favourable landscape for microbusinesses (IRAS Guidelines, 2024; Agarwal, Qian, Yeung, & Zheng, 2023).In India, the Income Tax Act's presumptive taxation scheme simplifies tax compliance for microbusinesses by offering reduced tax rates, thereby encouraging formalisation and growth (Republic of India, 1961; Chatterjee & Sarkar, 2023). South Africa could learn from other countries' approaches, particularly in offering incentives and simplifying tax compliance to foster the development of microbusinesses.

The ensuing chapter aims to compare South Africa’s turnover tax compliance requirements with those of Australia, New Zealand, Singapore, and India. Additionally, it elucidates the obstacles confronted by microenterprises as a result of such compliance.

CHAPTER 4: A COMPARISON OF TAX COMPLIANCE FOR MICROBUSINESSES IN SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, SINGAPORE, AND INDIA COMPLIANCE FOR MICROBUSINESSES

4.1. Introduction

Tax compliance is a concern for microbusinesses (Werekoh, 2022). The complexity of tax laws can be daunting for microbusinesses with limited resources (Dom, Prichard, Custers and Davenport, 2022). The administrative burden of compliance, including record-keeping, filing returns, and making tax payments, can also be substantial (Dom et al., 2022). In addition, the financial impact of these compliance costs can be significant (Dom et al., 2022). These factors can make it difficult for microbusinesses to navigate the tax environment effectively.

Compliance with tax regulations is an essential component of business operations for microbusinesses, as it ensures conformity with legal obligations and contributes to financial stability (Harnovinsah, Kansil, Nugroho and Putra, 2023). The intricacies of tax systems demand a thorough comprehension of tax obligations to effectively navigate the compliance landscape. Non-compliance with tax regulations may result in penalties, fines, and legal repercussions, hindering the growth and sustainability of microbusinesses (Harnovinsah et al., 2023). Hence, imparting microbusiness owners with adequate tax knowledge is important to ensure compliance and alleviate associated risks.

Positive tax morale and perceived fairness in the tax system enhance compliance intentions among microbusinesses (Taing and Chang, 2021). Conversely, tax complexity has a negative impact on compliance intentions (Taing and Chang 2021); factors such as trust in the government, power of authority, tax information, and tax awareness do not have an impact on compliance intentions of microbusinesses (Taing and Chang, 2021). Tax compliance for microbusinesses encompasses meeting all tax obligations and exercising taxation rights (Yong and Freudenberg, 2020). It goes beyond mere adherence to rules, extending to timely reporting and payment of taxes, which are vital for the sustainability of microbusinesses (Pertiwi, Iqbal and Baridwan, 2020).

This chapter dissects the tax compliance requirements for microbusinesses in Australia, New Zealand, Singapore, and India, juxtaposing them with South Africa's regime. By delving into compliance obligations, including tax filing, record-keeping, and reporting standards in these nations, seeking to unearth insights that could potentially alleviate the compliance burden for South Africa's microbusinesses.

4.2. Tax compliance framework for microbusinesses in South Africa

In South Africa, microbusinesses encounter considerable obstacles in adhering to tax regulations, as demonstrated by the country's ranking of 139th out of 190 countries for 'tax compliance', as reported by InvestSA (2020). This ranking highlights the intricate and onerous nature of tax compliance for South African microbusinesses. As mandated by the Tax Administration Act of South Africa, microbusinesses are required to navigate a convoluted tax filing process that involves the completion of numerous forms and strict adherence to various deadlines (South Africa Tax Administration Act 28, 2011). The tax burden carried by SMEs in South Africa is multifaceted and influenced by factors such as compliance costs, the nature of the tax system, and the accessibility and utilisation of microbusiness tax concessions (Dixon, 2022). Notably, a substantial portion of SMEs (approximately 33%) reported penalties related to the non-filing of returns, with an equal percentage facing penalties for late filing (Buthelezi, 2023). Furthermore, 27% of SMEs cited penalties resulting from incomplete or erroneous calculations (Buthelezi, 2023). These penalties not only highlight the compliance challenges faced by SMEs but also underscore the financial strain imposed by the complexities of tax requirements.

The average penalty and interest payments by SMEs amounted to R1 622.98, with some cases reaching R11 980, indicating a substantial financial burden that could potentially impact operational efficiency and financial viability (Buthelezi, 2023). The complexity of tax legislation renders it incomprehensible for microbusinesses, leading to unintentional non-compliance (Young, 2021). Over time, the complexity of tax administration has adversely affected tax compliance behaviour (Young, 2021). This underscores the pressing need for simplification and streamlining of tax regulations to facilitate better compliance among microbusinesses in South Africa. The turnover tax system eases the burden on microbusinesses by simplifying tax structures based on turnover and reducing compliance complexities, as required by the Sixth Schedule of the South African Income Tax Act No. 58,1962 (South Africa, 1962).

The turnover tax system simplifies this by offering a unified tax structure based on the business's turnover, thereby reducing the complexity of tax compliance and allowing business owners to focus more on their operations rather than navigating multiple tax obligations (SARS, 2024). The findings of a study conducted by Naicker and Rajaram in 2019 reveal that approximately half of the small business owners surveyed are unaware of turnover tax initiatives aimed at supporting them (Naicker and Rajaram, 2019). The majority of small business owners surveyed expressed dissatisfaction with the effectiveness of these government initiatives, with many agreeing or strongly agreeing that they are ineffective and in need of revision (Naicker and Rajaram, 2019).

4.2.1. Registration

Registration is facilitated through the SARS eFiling system, aiming to consolidate various tax liabilities into a single simplified tax (SARS, 2024). eFiling offers a streamlined, accessible platform for tax registration, filing, and payments, catering to the increasing digitisation of business operations and government services (Hesami, Jenkins and Jenkins, 2023). The decision to implement registration through eFiling by SARS is primarily aimed at enhancing efficiency, reducing processing times, and minimising the potential for errors associated with manual registration processes (SARS, 2024). This approach aligns with global trends towards digital governance and e-services, facilitating a more efficient interaction between taxpayers and tax authorities (Hesami, Jenkins and Jenkins, 2023).

The reliance on eFiling raises concerns regarding accessibility for microbusinesses that may lack reliable Internet access or digital literacy (Mohlala, 2023). This digital divide could potentially marginalise certain businesses, those in rural or under-resourced areas, thus posing a challenge to the inclusive application of the turnover tax system (Mohlala, 2023). According to the 10th edition of Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard, of the estimated 2.6 million SMEs in South Africa, about 37% are considered formal, with 54% being microenterprises and 15% located in rural areas (OECD, 2021). To mitigate these concerns, SARS has established various service points and offers assistance through its contact centres to ensure that businesses without direct internet access can still comply with registration requirements and receive the necessary support (Katz, Jung and Callorda, 2020).

Research focused on the digital divide and its impact on SMEs in developing countries suggests that interventions such as service points, mobile tax clinics, and dedicated support centres can play a critical role in bridging the gap (Lukonga, 2020). In line with this recommendation, SARS has implemented a comprehensive strategy to educate and support microbusinesses in understanding and fulfilling their tax obligations (Nankoo, 2022). This includes leveraging various communication platforms such as workshops, seminars, media campaigns (including radio and television), and the establishment of service points throughout the country (Nankoo, 2022). Moreover, SARS has collaborated with business associations and governmental departments to ensure wide-reaching and effective dissemination of tax-related information (SARS, 2024). The deployment of mobile units to remote areas represents a targeted approach to ensure inclusivity, catering to businesses that may lack digital access or are located in underserved regions (SARS, 2024). Such a multi-channel service delivery model respects the different capacities and preferences of businesses, ensuring that no group is left behind in the digital transition (Welby and Tan, 2022).

4.2.2. Voluntary deregistration

The voluntary deregistration process for microbusinesses from the turnover tax regime, as outlined in Paragraph 9 of the Sixth Schedule of the South African Income Tax Act No. 58 of 1962, allows businesses that have opted into this simplified tax system to deregister based on their discretion. A registered microbusiness may choose to be deregistered before the start of an assessment year or a later date within that year, as prescribed by the Commissioner in the Gazette (South Africa, 1962, Sixth Schedule). If a registered microbusiness opts to be deregistered under this provision, the commissioner must deregister the business effectively from the beginning of the assessment year, as outlined in paragraph eight of the Sixth Schedule of the South African Income Tax Act No. 58 of 1962 (South Africa, 1962)). Businesses that have experienced changes in their operational structure, scale, or revenue may opt out of the turnover tax system to take advantage of tax incentives available under the income tax system, such as VAT, which are not accessible within the turnover tax framework (SARS, 2024).

Chiromo acknowledges that while the process of voluntary deregistration seems straightforward, there may be potential administrative or procedural challenges not explicitly addressed in paragraph 9 of the seventh schedule to the income tax act no. 58 of 1962 (Chiromo, 2020). Further discussion could be warranted regarding any documentation or administrative requirements involved in the deregistration process (Chiromo, 2020). Additionally, considerations regarding the implications for businesses and factors they should weigh before opting to deregister voluntarily could be explored in greater detail (Chiromo, 2020). it can be discerned that the paragraph appropriately discusses the ease and flexibility associated with the deregistration process (Chiromo, 2020). The elimination of the three-year lock-in period is highlighted as a factor that enhances the ease with which microbusinesses can transition from the turnover tax system to the normal tax system (Chiromo, 2020). Additionally, the specified procedure for notification to the Commissioner is emphasized as ensuring clarity and accountability in the deregistration process (Chiromo, 2020)

4.2.3. Compulsory deregistration

Compulsory deregistration is triggered when a microbusiness no longer meets the eligibility criteria outlined in the turnover tax system. According to Paragraph 10 of the Sixth Schedule of the South African Income Tax Act, a business must be deregistered if it exceeds the turnover threshold of R1 million during the tax year (South Africa, 1962). This mechanism ensures that the benefits of the simplified tax system are reserved for businesses that genuinely qualify based on their size and revenue, maintaining the integrity of the system designed to support microenterprises (South Africa, 1962).

SARS requires a registered microbusiness subject to compulsory deregistration to notify the Commissioner within 21 days from the date it no longer qualifies as a microbusiness, with penalties applicable for non-compliance. Upon receipt of the notification, the Commissioner will deregister the microbusiness from the turnover tax system with effect from the first day of the month following the month during which the business ceased to qualify as a registered microbusiness (Chiromo, 2023). A business may be compelled to deregister if it operates as a professional service provider, such as doctors, lawyers, architects, engineers, and accountants (Chiromo, 2023). Notably, eligibility can be affected by an individual's financial interest in other enterprises if such interests lead to a combined turnover that exceeds the threshold, thereby emphasising the regime's targeted support for microbusiness entities (Szudoczky and Károlyi, 2020).

4.2.4. Deregistration process

As noted above, a registered microbusiness is required to notify the commissioner within 21 days of being disqualified (SARS, 2024). Failure to notify the commissioner within the specified timeframe may result in penalties being imposed on the microbusiness (SARS, 2024). Based on a study by Omotor (2022), microbusinesses believe that the requirement to notify the commissioner within 21 days of disqualification from the turnover tax system is unnecessary and burdensome (Omotor, 2022). They argue that microbusinesses already have limited resources and time, and adding this administrative task creates additional strain (Omotor, 2022). The notification must be made through the SARS eFiling system or by submitting a written notice to the nearest SARS branch (SARS 2024). Failure to meet this notification deadline leads to penalties imposed, which adds to the financial pressure to the microbusinesses, which can impede their growth and survival (Rashid and Ratten, 2021).

The process for deregistering from the turnover tax system presents challenges, particularly for microbusinesses lacking Internet access and literacy (Sithebe, 2022). These businesses encounter barriers due to reliance on online platforms like the SARS eFiling system and the complexity of administrative procedures (Van Rooi, 2023). Additionally, illiterate individuals may face difficulties understanding tax regulations and completing the necessary documentation, further hindering deregistration efforts (Sithebe, 2022).

4.2.5. Interim payments

Microbusinesses in South Africa, operating under the turnover tax system outlined in Paragraph 11 of the Sixth Schedule of the South African Income Tax Act No. 58 of 1962, are mandated to make interim payments towards their tax liability during the tax year. Interim payments serve as advance payments of the estimated tax liability for the year and are intended to facilitate better tax management for microbusinesses throughout the tax year (Pushkareva, 2021). This requirement helps microbusinesses manage their cash flow by spreading their tax obligations over the tax year, rather than facing a large lump-sum payment at the end of the year (Pushkareva, 2021). This approach alleviates the financial strain on microbusinesses, enabling them to allocate resources more effectively to meet both operational and tax obligations. Furthermore, interim payments help ensure that microbusinesses meet their tax obligations promptly, reducing the risk of underpayment or non-compliance with tax laws (Dlamini, 2022). By making regular payments towards their tax liability, microbusinesses can stay on track with their tax obligations and avoid potential penalties or interest charges for insufficient payment or late payment of taxes (Abdulhamid, 2023).

Interim payments can pose additional financial strain on microbusinesses with irregular cash flows (Baker and Judge, 2020). These businesses may struggle to fulfil their tax obligations and maintain adequate funds for day-to-day operations if required to make regular tax payments throughout the year (Baker and Judge, 2020). This could impede the growth and sustainability of such enterprises, ultimately resulting in negative economic impacts on local communities (Baker and Judge, 2020).

4.2.6. Amounts received by a connected person may be included in the qualifying turnover

Paragraph 13 of the Sixth Schedule in Income Tax Act No. 58 of 1962 specifies the inclusion of amounts received by a connected person in the qualifying turnover for microbusinesses (South Africa, 1962). This provision stipulates that in determining the qualifying turnover tax purposes under the turnover tax system, amounts received or accrued from persons connected to the taxpayer must also be considered (South Africa, 1962). This expands the scope of what constitutes turnover beyond the direct income or receipts of the microbusiness itself to encompass certain transactions with closely related parties or entities (Ntia, 2022).

This inclusion is intended to prevent tax avoidance strategies in microbusinesses that could potentially channel income through connected persons to stay below the turnover threshold for the simplified tax regime or to reduce their tax liability (Ntia, 2022). This requirement can, however, introduce complexities in compliance for microbusinesses because the need to track and report transactions with connected persons can increase the administrative burden on microbusinesses, which often operate with limited accounting resources or expertise

(Kganyago, 2022). This provision aims to ensure tax fairness; it may inadvertently complicate tax compliance for microbusiness entities, which the turnover tax system seeks to support (Kganyago, 2022).

The definition of 'connected persons' can be extensive and at times ambiguous, encompassing family members, related companies, and trusts (SARS, 2024). This broad definition requires microbusinesses to possess a comprehensive understanding of their relationships and transactions to accurately determine and report their qualifying turnover (Chiromo, 2020). This complexity may offset some advantages of the simplified tax system, as it necessitates a level of vigilance and comprehension of tax laws that may not be present in microenterprises (Chiromo, 2020).

4.2.7. Record keeping

Paragraph 14 of the Sixth Schedule of the South African Income Tax Act No. 58 of 1962 mandates that a registered microbusiness must retain records of amounts received, dividends declared, assets with a cost price exceeding R10 000, and liabilities exceeding R10 000 for five years. This includes, but is not limited to, invoices, receipts, bank statements, and documents related to asset acquisitions or disposals (South Africa, 1962). The objective is to develop a systematic approach for calculating tax liability based on business turnover to streamline the tax filing process (Moore, 2023). One of the challenges faced by microenterprises is the lack of formal accounting training, which can lead to difficulties in maintaining financial records as required (Ayishetu, Yaa, Abdul-Razak, and Kusi, 2022). For microbusinesses that typically operate with limited resources and may not have access to professional accounting services, the administrative burden of record-keeping can be significant (Prempeh, Osei, Osei and Kuffour, 2022). The adoption of digital record-keeping tools can play an important role in enhancing the efficiency of record-keeping practices (Gichohi 2020). The use of such tools can reduce the time and effort needed to maintain accurate records, thereby alleviating some of the administrative burdens on microbusinesses (Gichohi, 2020). However, the transition to digital record-keeping requires an initial investment in technology and training, which may be a barrier for some microenterprises (Moore, 2022). While mandated record-keeping practices aim to simplify tax compliance, the actual impact on microbusinesses can be complex (Moore, 2022).

4.3. Tax compliance framework for microbusinesses in Australia

In Australia, microbusinesses are subjected to tax compliance requirements under the STS, which is designed to streamline the tax process for these entities (ATO, 2024). According to the Australian Government Business Registration Service (AGBR) (2024), the application for an Australian business number (ABN) is a straightforward online process that can be completed on the official website of the Australian Business Register. The requirement to have certain ‘commencement activities’ in place before applying, such as setting up a website or purchasing business essentials, may not be immediately feasible for all aspiring business owners, potentially delaying their entry into the market (Chen, Rhydderch and Liang, 2020). This ease of access is designed to minimise barriers to entry for new businesses and ensure that they can quickly become operational within the legal and regulatory framework of Australia (AGBR, 2024).

4.3.1. Registration

Upon determining that your business meets the ‘base entities’ criteria, the next step is to proceed with the registration process through the Australian Securities & Investments Commission (ASIC) which involves choosing a company name, deciding on the company structure, understanding the legal obligations of company office-holders, and registering the company with ASIC (Australian Securities & Investments Commission, 2024). After successfully registering, it is essential to obtain an ABN (Australian Securities & Investments Commission, 2024).

To register a business in Australia as a base entity, the ABN registration process requires applicants to provide detailed information about their business, including business structure, activities, locations, and associated individuals (AGBR, 2024). This comprehensive approach ensures that the government has sufficient information to accurately categorise and manage businesses within the tax system, but the requirement for detailed information might pose a challenge for some microbusiness owners, those with limited experience in legal and business matters (Isle, Freudenberg and Sarker, 2022a).

The ABN registration process indicates a balance between the need for regulatory oversight and the promotion of entrepreneurship (Coche, Kolk and Dekker, 2024). The MyTax portal platform application process demonstrates an understanding of the resource constraints often faced by microbusinesses (Tertiary Education Quality and Standards Agency, 2022). The complexity of the information required can be daunting for some business owners, potentially necessitating professional advice, which may incur additional costs (Dickinson, Yates and West, 2022). Furthermore, while the MyTax portal platform is designed to be user-friendly, issues such as digital literacy and access to reliable internet services could pose challenges for some applicants (Judson, Odisho, Young, Bigazzi, Steuer, Gonzales and Neinstein, 2020). This highlights the importance of providing additional support mechanisms, such as helplines or in-person assistance, to ensure that all prospective business owners can successfully navigate the registration process (Davidson, Allchin, Blake-Holmes, Grant, Lagdon, McCartan, Maybery, Nicholson, and Reupert, 2023).

4.3.2. Voluntary deregistration

Voluntary deregistration in Australia presents a means for microbusinesses to formally exit the business landscape when they cease trading or experience changes in their structure or operations (Cefis, Bettinelli, Coad and Marsili, 2022). According to the Australian Securities and Investments Commission (ASIC), microbusinesses can apply for voluntary deregistration if they meet specific criteria, such as having no outstanding liabilities, not conducting business, and obtaining consent from all business members (ASIC, 2021). This process is essential for maintaining the integrity and accuracy of the business environment in Australia, as it allows for clearing the business register from entities that are no longer active (Lima, McMahon and Costa, 2021). The criteria set by the ASIC ensure that only those businesses that have settled their obligations and are inactive can deregister, thereby preventing misuse of the process (ASIC, 2021). The success of this process is evident in the streamlined and updated business registry which enhances the accuracy of economic data and supports regulatory oversight (ATO, 2024).

On the one hand, the existence of a clear, formal process for deregistration is beneficial, as it provides a pathway for businesses to close operations in a structured and recognised manner (Bowley, 2021). This is important for maintaining an up-to-date register and for businesses to formally conclude their activities, potentially avoiding ongoing compliance obligations and costs associated with maintaining an active registration (Mauch, Kaur, Irwin and Wyss, 2021).

The process of deregistering an inactive business can present challenges for microbusinesses, in understanding and navigating the criteria and procedural requirements (Mascagni, Santoro, Mukama, Karangwa and Hakizimana, 2022). The need to ensure that the business has no outstanding liabilities and to obtain consent from all members can be complex, especially for those lacking legal or financial expertise (Mascagni et al., 2022).

The administrative process involved, including the submission of specific forms and potential interactions with multiple government agencies, can be daunting for microbusiness owners who may not have the resources or knowledge to manage these requirements effectively (Dheer and Salamzadeh, 2022). Moreover, the potential consequences of not formally deregistering an inactive business, such as the continued accrual of fees or obligations, underscore the importance of understanding and effectively managing this process (Dheer and Salamzadeh, 2022). This highlights the need for support and guidance for microbusinesses in navigating deregistration, ensuring that they can effectively conclude their business activities without an undue burden (Dheer and Salamzadeh, 2022).

4.3.3. Compulsory deregistration

The process of compulsory deregistration as stipulated by the Corporations Act 2001 (Australia, 2001) may occur if a business fails to pay annual review fees, does not respond to compliance notices, or if there is reason to believe the business is not carrying on business (Australia, 2001, S 601AB). This legislative provision aims to ensure that the business landscape is populated by active and compliant entities, thereby promoting a healthy economic environment.

The process of re-registration after compulsory deregistration can be intricate and costly, potentially creating a barrier to re-entry for microbusinesses that have rectified their compliance issues (ASIC, 2021). This aspect of the regulatory environment could be perceived as punitive for microbusinesses that may lack the resources and expertise to navigate complex regulatory requirements (Williamson, 2022).

4.3.4. Interim payments

The Pay as you go (PAYG) system in Australia mandates microbusinesses to make interim payments towards their expected annual income tax liability, a mechanism aimed at facilitating better cash flow management by spreading tax obligations throughout the financial year (ATO, 2024). In the PAYG, businesses estimate their annual income and make regular payments, which can be adjusted to match their actual income as the year progresses, providing a degree of flexibility in managing tax obligations (ATO, 2024). This system for microbusinesses hinges on their ability to accurately forecast income, which can be inherently volatile and unpredictable for them (Andrews, de Montesquiou, Sánchez, Dutta, Samaranayake, Heisey, Clay and Chaudhary, 2021). This requirement places an administrative burden on microbusinesses, potentially leading to underestimations or overestimations of tax liabilities (Andrews et al., 2021). In the case of underestimation, businesses may face a large lump sum payment at the end of the financial year, while overestimation could unnecessarily tie up capital that could be used for operational purposes (ATO, 2024). This is a similar problem that South African microbusinesses experience.

The ATO has taken steps to streamline the registration process for the PAYG system, enabling businesses to register as part of their ABN application or through their ATO online service account (ATO, 2024). Despite this simplification, ongoing PAYG management requires a certain level of financial literacy and administrative proficiency, which may not always be present in microbusiness owners (Isle, Freudenberg and Sarker, 2022a). While the PAYG system is intended to facilitate tax obligation management and cash flow, the complexity and accuracy required for forecasting can pose difficulties for microbusinesses (Isle, Freudenberg, and Sarker, 2022a). This highlights the need for additional support and guidance to help these businesses navigate the PAYG system effectively and fulfil their tax obligations without compromising their financial stability or operational capabilities (Isle, Freudenberg, and Sarker, 2022b).

4.3.5. Record-keeping

Record-keeping for microbusinesses in Australia is an important aspect of tax compliance, as mandated by tax law (Charo, 2020). The ATO requires that records be kept for five years, in English or readily translatable to English, and include detailed information to verify income and expenses, and fulfil other tax obligations (ATO, 2024). The record-keeping requirement is to promote transparency and accountability in business operations, which aids compliance and financial management (Charo, 2020). Microbusinesses often operate with limited resources, and the mandate for extensive record-keeping can impose an administrative burden (Charo, 2020). Additionally, the requirement for records to be in English or easily translated can be a barrier for business owners with limited English proficiency, complicating compliance efforts (Charo, 2020).

Digital solutions can reduce the time and effort required to comply with record-keeping regulations, making them more feasible for microbusinesses with minimal administrative capacity (Thomas, Barraket, Wilson, Holcombe-James, Kennedy, Rennie, Ewing and MacDonald, 2020). The requirement for detailed and comprehensive records necessitates a level of financial literacy and organisational skills that may not be inherent to all microbusiness owners (Thomas et al., 2020). The need to keep records for five years further compounds the challenge, requiring sustained management of documents and financial information over an extended time frame (ATO, 2024).

Australia's approach to tax compliance for microbusinesses, with its focus on streamlined processes and manageable obligations, reflects a supportive stance towards microbusinesses, but ongoing efforts to simplify compliance further and provide targeted support for the unique needs of microbusinesses could enhance their capacity to contribute to the economy while ensuring compliance with tax obligations (Lestary, Sueb and Yudianto, 2021).

4.4. Tax compliance framework for microbusinesses in New Zealand

In New Zealand, microbusinesses also benefit from simplified tax compliance requirements (Yong and Freudenberg, 2020). The IRD provides comprehensive online resources and tools to assist microbusinesses in meeting their tax obligations (IRD, 2024). The registration process for microbusinesses in New Zealand is facilitated by the IRD, which has designed the process to be straightforward and user-friendly. This process is important, as it forms the foundation of a business's formal engagement with the tax system (IRD, 2024).

4.4.1. Registrations

According to the IRD (2024), to commence this process, a business must obtain an IRD number that serves as a unique identifier for tax purposes. The online platform provided by the IRD simplifies this procedure, enabling businesses to complete their registration efficiently and with minimal difficulty (Jeong, 2023). This digital approach to registration reflects New Zealand's broader commitment to leveraging technology to streamline governmental processes, thereby reducing the administrative burden on businesses (Jeong, 2023). The simplicity of online registration eliminates potential obstacles to entry into the formal economy, promoting compliance and the formalisation of microbusinesses (Yong and Fukofuka, 2023). Although the process is designed to be user-friendly, the experience of registration can vary depending on the business owner's familiarity with digital platforms and the intricacy of their business structure (Yong and Fukofuka, 2023). For some microbusiness owners, especially those less comfortable with technology or those for whom English is a second language, navigating the online registration process may still present difficulties (Yong and Fukofuka, 2023).

4.4.2. Voluntary deregistration

Voluntary deregistration in New Zealand provides microbusinesses with an opportunity to exit the formal tax system under specific circumstances, such as business closure or a change in business activity (Ellice, 2021). This process is facilitated by the IRD and is designed to be accessible to ensure businesses can easily comply with deregistration requirements when necessary (Ellice, 2021). The New Zealand Tax Administration Act 1994 (New Zealand, 1994) sets out the framework for voluntary deregistration, allowing businesses that no longer meet certain criteria or wish to cease their taxable activities to deregister straightforwardly (New Zealand, 1994). This flexibility is important for microbusinesses, which may experience fluctuations in their operations or may decide to close more frequently than larger enterprises (New Zealand, 1994). New Zealand's supportive approach towards microbusinesses requires the business to be up to date, with all tax obligations fulfilled up to the point of deregistration, which could involve complex calculations or adjustments in the final period of operation

(Taylor, 2023). This process requires a thorough understanding of the tax implications of deregistration, including the treatment of any remaining assets or liabilities (New Zealand Tax Administration Act, 1994). Additionally, the IRD provides resources and guidance to assist businesses through the deregistration process; navigating these resources and understanding their legal and tax implications may still require professional advice (Taylor, 2023).

4.4.3. Compulsory deregistration

Compulsory deregistration is a mechanism in New Zealand's tax compliance framework that enables the IRD to remove a microbusiness from the tax register due to non-compliance with tax obligations or submission deadlines, or when the business has ceased operations without completing the voluntary deregistration process (Barker, 2020). The New Zealand Tax Administration Act 1994 establishes the criteria and process for compulsory deregistration, providing the IRD with the authority to enforce compliance and maintain the integrity of the tax system (Barker, 2020).

The existence of compulsory deregistration emphasises the significance of compliance within the tax system, serving as a deterrent against non-compliance and ensuring that all businesses make fair contributions to the tax base (Barker, 2020). For microbusinesses, which often have limited resources and lack specialised tax knowledge, the risk of compulsory deregistration can pose a challenge (Taylor, 2023). The challenges faced by microbusinesses extend beyond adhering to tax obligations and encompass the complexities of the tax system itself (Taylor, 2023). Navigating the process of comprehending and complying with tax requirements, including avoiding compulsory deregistration, can be overwhelming for microbusiness owners who lack dedicated taxes or legal departments (IRD, 2024). Compulsory deregistration necessitates supportive measures that cater specifically to microbusinesses, including providing unambiguous guidance, accessible resources, and critical interventions that assist microbusinesses in rectifying compliance issues before they reach the point of deregistration (Chow, 2022).

4.4.4. Payment

In the provisional tax system, taxpayers, including microbusinesses, are permitted to make tax payments in instalments rather than a lump sum at the end of the tax year (New Zealand, 2007). This system is designed to align tax payments more closely with the business's income patterns, thereby avoiding the burden of a large, once-off payment, according to the New Zealand Income Tax Act 2007 No. 97 (New Zealand, 2007). The provisional tax system and the ease of registration are intended to support microbusinesses; however, accurately estimating income to calculate provisional tax payments can be difficult for microbusinesses, which often experience fluctuating incomes (Sawyer, 2020). The system of tax compliance implemented in New Zealand for microbusinesses, specifically through the provisional tax system and streamlined registration process, illustrates a supportive infrastructure intended to reduce the compliance burden and nurture the growth of these businesses (Sawyer, 2020).

4.4.5. Record keeping

Record keeping in New Zealand is governed by strict regulations to ensure transparency and accountability within the tax system. The New Zealand Tax Administration Act 1994 (New Zealand, 1994) mandates that all businesses, irrespective of size, maintain accurate and comprehensive financial records for a minimum of seven years for the assessment and verification of tax obligations. Accurate record-keeping is critical for the IRD to assess tax liabilities and verify compliance (IRD, 2024). Records must include income, expenses, and other transactions that could affect tax liabilities (IRD, 2024). The need to track and store financial documents over an extended period can be overwhelming, and microbusinesses may have to invest in accounting software or professional services that they may not be able to afford (IRD, 2024).

An evaluation of New Zealand's tax compliance framework for microbusinesses reveals a system designed to minimise complexity and administrative burdens, thereby facilitating the sustainability and growth of microbusinesses (Kemp, 2022). However, stringent record-keeping requirements, although indispensable for maintaining system integrity, may present challenges for microbusinesses, potentially necessitating external support or resources to comply effectively (Yong and Freudenberg, 2020).

4.5. Tax Compliance Framework for Microbusinesses in Singapore

The tax authorities in Singapore, such as the IRAS, have implemented measures to simplify tax compliance for microbusinesses (IRAS, 2024). Registration for microbusinesses in Singapore is primarily facilitated by the Accounting and Corporate Regulatory Authority (ACRA) via the BizFile+ online system (ACRA, 2022). The process involves selecting an appropriate business structure, such as sole proprietorship, partnership, or private limited company, and adhering to the specific requirements associated with each structure. The chosen structure affects various aspects of the business, including liability, tax obligations, and regulatory compliance (IRAS, 2024).

4.5.1. Registration

ACRA (2022) states that the registration process is designed to be streamlined and user-friendly, with most businesses being able to complete their registration online within 15 minutes, provided that all required information is prepared in advance (ACRA, 2022). This includes a proposed business name, a brief description of business activities, details of the business owners or directors, and a registered business address (ACRA, 2022).

ACRA (2022) implemented a system that minimises bureaucratic hurdles, allowing for swift and straightforward registration (Malia, 2023). While the process is designed to be accessible, certain aspects may still pose challenges for microbusiness owners, especially those with limited experience in navigating online government platforms or those unfamiliar with regulatory requirements (Malia, 2023). Choosing the correct business structure and understanding the associated legal and tax implications requires foundational knowledge of business law and taxation in Singapore (Malia, 2023). Missteps in this initial phase can lead to complications or non-compliance issues (Malia, 2023).

The BizFile+ system used by the ACRA for business registration in Singapore has proven to be highly effective in facilitating regulatory compliance for microbusinesses, but it is important to note that the complexity of the registration process may require thorough preparation and additional documentation, which can extend the process beyond the initial 15-minute timeframe (Moha, Ahmad, Harun, and Elfikri, 2023). Furthermore, the need for a comprehensive understanding of the legal and tax implications associated with different business structures highlights the importance of providing resources and support to guide microbusiness owners through the registration process (Moha et al., 2023).

4.5.2. Voluntary deregistration

Voluntary deregistration for microbusinesses in Singapore is a decision made by the business to cease its registration with the relevant authorities, primarily the ACRA and IRAS (IRAS, 2024). This process is typically initiated by businesses that are winding down operations or undergoing restructuring (IRAS, 2024). According to ACRA (2022), to commence voluntary deregistration, a microbusiness must apply through the ACRA's online BizFile+ portal, ensuring that all outstanding liabilities are settled and compliance obligations are met before application. The process requires businesses to be free of ongoing or impending legal proceedings and all charges registered against the business's assets must be resolved (ACRA, 2022). IRAS (2024) stipulates that for the tax-related aspects of deregistration, businesses must file final tax returns and ensure that all outstanding tax liabilities are cleared. This includes the submission of a final set of accounts covering the period up to business cessation. It is essential that these submissions accurately reflect a business's final financial position to ensure compliance and facilitate the deregistration process (IRAS 2024).

The framework established by the ACRA and IRAS for the voluntary deregistration of businesses aims to ensure that the winding down of operations is carried out in an orderly and compliant manner, safeguarding the interests of creditors and other stakeholders (Pandey, 2023). This includes the requirement for businesses to settle all liabilities and ensure that there are no pending legal issues before deregistration (Pandey, 2023). The need to ensure that there are no ongoing legal proceedings before deregistration may complicate the process for businesses involved in disputes or litigation, potentially prolonging the period before deregistration can be finalised (Pandey, 2023).

4.5.3. Compulsory deregistration

Compulsory deregistration for microbusinesses in Singapore is a regulatory measure implemented by the ACRA to preserve the integrity of the business environment (ACRA, 2022. This process can be initiated for various reasons, including non-compliance with regulatory requirements, failure to submit annual returns, and prolonged inactivity (ACRA, 2022). Furthermore, non-compliant businesses may be subject to compulsory deregistration, which ensures that only active and compliant businesses participate in Singapore's economy (ACRA, 2022). Prolonged inactivity or the lack of business transactions may also trigger the compulsory deregistration process, serving as a clean-up mechanism to remove defunct entities from the registry, resulting in an accurate and up-to-date database of active businesses (ACRA, 2022). The threat of compulsory deregistration acts as an incentive to maintain compliance with statutory requirements; however, the complexity of these requirements and the administrative burden they impose can be challenging for microbusinesses, which typically operate with limited resources and expertise in legal and financial matters (Pandey, 2023).

4.5.4. Interim payments

Interim payments form an integral component of Singapore's tax framework for microbusinesses, primarily concerning income tax obligations (Valderrama & Balharová, 2021). According to the IRAS, businesses may be required to make tax payments in advance based on the estimated chargeable income for the year. This system is designed to help businesses spread their tax payments, potentially reducing the financial burden of lump-sum payments at the end of the assessment year (IRAS, 2024). Fluctuations in sales, unexpected expenses, and market volatility can significantly impact their financial projections and, consequently, the accuracy of their estimated chargeable income (Valderrama & Balharová, 2021). Given the limited resources and financial expertise typically available to microbusinesses, this requirement can pose a challenge (Valderrama & Balharová, 2021).

4.5.5. Record keeping

The regulatory framework in Singapore, as stipulated by the IRAS, requires microbusinesses to maintain comprehensive records of all business transactions, financial statements, contracts, and other relevant documents for five years (IRAS, 2024). The records must be detailed to verify the entries in the accounts and substantiate the income, expenses, and tax deductions claimed, ensuring transparency and compliance with tax laws (IRAS, 2022). According to the guidelines set by the IRAS (2024), records can be kept in either electronic or hard copy formats, provided that they are readily accessible and can be converted into written form upon request. The provision of electronic record-keeping reflects an understanding of modern business practices and technological advancements, potentially easing the compliance burden for microbusinesses that leverage digital tools for their operations (Arewa and Davenport, 2022). However, the IRAS requirement of maintaining detailed and organised records over five years can divert time and resources away from core business activities (Arewa and Davenport, 2022).

The regulatory landscape in Singapore offers a comprehensive yet accommodating framework that facilitates microbusinesses' economic participation while ensuring compliance with taxation obligations (Lescrauwaet, Wagner, Yoon and Shukla, 2022). The integration of business and tax registration processes, in conjunction with transparent guidelines for deregistration and maintenance of records, contributes to the facilitation of compliance (Lescrauwaet et al., 2022).

4.6. Tax compliance framework for microbusinesses in India

The microbusiness compliance requirement administers presumptive tax provisions for microenterprises under Sections 44AD, 44ADA, and 44AE of the Income Tax Act, 1961 (Republic of India, 1961). The registration process for microbusinesses wishing to participate in presumptive taxation is tightly linked to the broader tax registration framework in India (Republic of India, 1961). To participate in these schemes, businesses must register as taxpayers with the Income Tax Department and obtain a valid Permanent Account Number (PAN), which serves as a unique identifier for all financial transactions and tax-related activities in India (India Income Tax Department, 2024). The PAN application process is straightforward and can be completed either online through the official portals of the Income Tax Department or through authorised PAN service centres located across the country (India Income Tax Department, 2024). Upon obtaining a PAN, microbusinesses can choose to participate in the presumptive taxation scheme by declaring their income following the relevant section (44AD, 44ADA, or 44AE) when filing their Indian income tax returns, without the need for separate registration for the scheme itself (India Income Tax Department, 2024).

4.6.1. Registration

The registration process for microbusinesses under presumptive taxation schemes is an advantage, as it removes the need for separate or complex registration processes specific to these schemes (Bucci, 2020). The straightforward approach of using the income tax return as the vehicle for opting into the scheme ensures that microbusinesses are not burdened with additional procedural requirements, aligning with the scheme's objective of simplifying tax compliance (Bucci, 2020). The registration process itself is simplified using PAN and income tax returns, and the challenge for microbusinesses often lies in the initial setup and understanding of the tax system (Bucci, 2020).

The need to obtain a PAN, familiarise themselves with the income tax filing process, and understand the conditions and implications of opting for a presumptive taxation scheme can be daunting for microbusinesses, especially those with limited financial literacy or access to professional tax advice (Shome and Shome, 2021b). Moreover, the digital-first approach for PAN application and tax filing, while efficient, may pose challenges for microbusinesses in rural or semi-urban areas with limited internet connectivity or digital infrastructure (Shome and Shome, 2021b). This digital divide can hinder access to presumptive taxation schemes for a segment of the microbusiness population, thereby diluting the inclusivity and effectiveness of the policy (Shome and Shome, 2021b).

4.6.2. Voluntary deregistration

Under the presumptive taxation schemes provided by Sections 44AD, 44ADA, and 44AE of the Income Tax Act, 1961, microbusinesses in India have the option to deregister voluntarily if they find the scheme unsuitable for their operations or financial strategies. This can be done at the beginning of a financial year by not declaring income under these sections in their India income tax returns (Republic of India, 1961, Sec. 44AD, 44ADA, 44AE). Furthermore, once a business opts out of the presumptive taxation scheme, it is barred from claiming the benefits of the scheme for the next five financial years (India Income Tax Department, 2024).

While the option for voluntary deregistration provides flexibility, the five-year lock-out period can be a deterrent for microbusinesses considering this option (Shome and Shome, 2021b). This restriction may force businesses to continue under a scheme that may no longer be beneficial or optimal for their changing financial situation or business models (Shome and Shome, 2021b). The prospect of not being able to re-enter the scheme for five years may discourage such businesses from deregistering, even when their actual expenses significantly exceed the presumed percentage (Shome and Shome, 2021b).

4.6.3. Compulsory deregistration

The process of switching from the presumptive taxation scheme to the regular taxation system requires businesses to maintain detailed books of accounts and comply with the more complex requirements of the regular tax regime, which can be burdensome for microbusinesses not equipped with the necessary resources or expertise (India Income Tax Department, 2024). Compulsory deregistration from the presumptive taxation schemes of the India Income Tax Act, 1961, occurs when a microbusiness no longer meets the eligibility criteria or fails to comply with the conditions stipulated in these sections. Compulsory deregistration can occur if the business's turnover exceeds the monetary threshold set for the respective section – Rs. 2 crores for businesses under Section 44AD, Rs. 50 lakhs for professionals under Section 44ADA, and owning more than 10 goods vehicles for businesses under Section 44AE. Non-compliance with tax laws, such as failing to maintain required records or comply with tax audit requirements, can also trigger compulsory deregistration (Republic of India, 1961, Sec. 44AD, 44ADA, 44AE).

The framework for compulsory deregistration is straightforward in its criteria; however, the transition from the presumptive taxation scheme to the regular taxation regime can present challenges for microbusinesses. The requirement to maintain detailed books of accounts and comply with tax audit requirements upon exiting the presumptive scheme can impose an administrative burden on microbusinesses that may not have the resources or expertise to manage these requirements efficiently. Furthermore, the inability to re-enter the presumptive taxation scheme for five years post-deregistration can deter businesses from voluntarily opting out, even when it might be beneficial for them to do so. This lock-in period can inadvertently discourage businesses from scaling up their operations or improving their compliance infrastructure because of the fear of increased compliance burdens outside the presumptive scheme (Republic of India, 1961, Sec. 44AD, 44ADA, 44AE).

The Income Tax Act, 1961 specifies that microbusinesses whose annual tax liability exceeds Rs. 10,000 are required to make advance tax payments in four instalments throughout the year (Republic of India, 1961, Section 208). Failure to comply with this requirement may result in penalties and interest charges. The first instalment is due by 15 June, representing 15% of the estimated annual tax liability. The second instalment is due by 15 September, representing 45% of the estimated annual tax liability. The third instalment is due by 15 December, representing 75% of the estimated annual tax liability. The fourth and final instalment is due by 15 March of the financial year, representing 100% of the estimated annual tax liability (Republic of India, 1961 Section 211). Under the presumptive taxation schemes of Sections

44AD, 44ADA, and 44AE, there is no explicit requirement for taxpayers to make interim payments in the form of instalments (Republic of India, 1961).

4.6.4. Record keeping

Record keeping, as mandated by the India Income Tax Act, 1961, for microbusinesses opting for the presumptive taxation schemes under Sections 44AD, 44ADA, and 44AE, plays a pivotal role in ensuring compliance and facilitating tax assessments (Republic of India, 1961).

For businesses under Section 44AD, the law exempts them from maintaining the detailed books of accounts required under Section 44AA of the Income Tax Act, provided their turnover does not exceed the threshold limit (Republic of India, 1961, Sec. 44AD); however, they must still maintain certain records that can substantiate the sales or gross receipts reported, alongside the expenditures incurred, if any. Similarly, for professionals covered under Section 44ADA, there is a relaxation in detailed bookkeeping, yet they are expected to maintain records that can justify the income declared as 50% of their gross receipts (Republic of India, 1961, Sec. 44ADA). Under Section 44AE, businesses involved in the plying, hiring, or leasing of goods carriages and opting for the presumptive income scheme must maintain records of the registration numbers of trucks, details of ownership, and other relevant particulars that establish the number of vehicles utilised in the business (Republic of India, 1961, Sec. 44AE).

The taxation schemes outlined in Sections 44AD, 44ADA, and 44AE of the India Income Tax Act offer relief from compliance for microbusinesses by streamlining the process of estimating income and making tax payments. However, these schemes also have limitations, such as rigid turnover thresholds and restrictions on claiming certain expenses as deductions, which may prove challenging for businesses that operate on the brink of these thresholds or have substantial legitimate expenses (Shome and Shome, 2021b). Additionally, the mandatory exit from the scheme for five years upon opting out can present a deterrent for businesses looking to transition out of the scheme, even when it may be financially beneficial to do so (Shome and Shome, 2021b).

4.7. Comparative tax compliance analysis for microbusinesses

Referring to Table 5, the examination of microbusiness tax compliance in South Africa, Australia, New Zealand, Singapore, and India reveals distinct regulatory practices in registration, deregistration, interim payments, and record-keeping. The table highlights the contrast between the digital access barriers in South Africa and India compared to the efficiency of Singapore's BizFile+ system, although it is essential to note that regulatory comprehension is still required. India's imposition of a five-year re-entry prohibition following voluntary deregistration is starkly different from Singapore's comprehensive approach, which ensures the settlement of all obligations before deregistration, thus safeguarding stakeholder interests.

In the context of compulsory deregistration, as depicted in Table 5, New Zealand's balanced enforcement and support for microbusinesses are evident, which fosters a more conducive compliance environment. However, the burdensome transition to regular taxation in India and South Africa after deregistration amplifies the compliance challenge, as indicated in the table.

Table 5 further elucidates the universal mandate for interim payments across the jurisdictions. New Zealand's provisional tax system offers a pragmatic approach by aligning payments with income patterns, mitigating financial strain for businesses with fluctuating incomes. In contrast, the PAYG system in Australia, and Singapore's estimated income approach, demand accurate income forecasting, presenting a significant challenge for microbusinesses due to the inherent volatility of their incomes.

Concerning the maintenance of records, Table 5 demonstrates that New Zealand's extensive seven-year requirement poses a potentially daunting challenge for microbusinesses. On the other hand, the five-year retention policies in South Africa and Singapore, facilitated by digital solutions, appear to be more manageable, although India's simplified requirements under presumptive taxation still impose a significant administrative burden on the smallest enterprises.

Table 5: Comparison Analysis table

Category	South Africa	Australia	New Zealand	Singapore	India
Registration	Turnover tax registration number through SARS eFiling. Digital literacy and internet access concerns.	ABN registration via Australian Business Register. Detailed information required, potential challenges for microbusiness owners.	IRD number registration through IRD's online platform. User-friendly, but potential challenges for those less comfortable with technology.	BizFile+ online system for business registration through ACRA. It is a simplified process but may require an understanding of regulatory requirements.	Taxpayer registration with the Income Tax Department and obtaining PAN. Simplified via online portals, but digital divide concerns.
Voluntary Deregistration	Allowed based on discretion, with provisions outlined in the Income Tax Act. Concerns for businesses in rural areas due to digital reliance.	ASIC criteria for voluntary deregistration, including no outstanding liabilities. Requires comprehensive closure of financial obligations.	Facilitated by IRD, allowing businesses to deregister under specific circumstances. Complex tax implications and the potential need for professional advice.	Initiated through ACRA's BizFile+, requiring settlement of liabilities and compliance. Challenges in ensuring all obligations are met.	Possible by not declaring income under presumptive taxation schemes during tax filing. Five-year lockout period from re-entering schemes after opting out.
Compulsory Deregistration	Triggered when eligibility criteria are not met, e.g., exceeding the turnover threshold. Notification is required within 21 days of disqualification.	Occurs due to noncompliance, like failure to pay fees or not carrying on business. Reregistration can be intricate and costly.	Implemented by IRD for noncompliance or ceased operations without voluntary deregistration. Balances regulatory enforcement with support for microbusinesses.	ACRA enforces for noncompliance, failure to submit returns, or prolonged inactivity. Challenges for microbusinesses to maintain compliance.	Happens when businesses no longer meet the eligibility criteria, like exceeding turnover limits. Transition to regular taxation can be challenging.

Interim Payments	Required for microbusinesses, serving as advance tax liability payments. Challenges for businesses with irregular cash flow.	PAYG system mandates interim payments based on estimated annual income tax liability. Difficulties in forecasting income for microbusinesses.	Provisional tax system allows tax payments in instalments, aligning with income patterns. Estimation challenges could affect cash flow.	IRAS requires advance tax payments based on estimated chargeable income. Challenges in accurately estimating income for microbusinesses.	Advance tax payments are required if annual tax liability exceeds Rs. 10 000. Estimating income and tax liability in advance can be challenging.
Record Keeping	Retention of invoices, receipts, and transaction records for five years. Digital tools can ease the burden but may require investment.	ATO mandates records in English or easily translatable for five years. Extensive requirements could pose challenges for microbusinesses.	Accurate and comprehensive financial records for seven years are required. Extensive requirements can overwhelm microbusinesses.	IRAS mandates detailed recordkeeping for five years. Electronic or hard copy formats are accepted, but extensive documentation can be challenging.	Simplified under presumptive taxation but some records must be maintained. Even simplified requirements can be burdensome for the smallest enterprises.

South Africa could enhance its support for microbusinesses by adopting elements of Singapore's business-friendly framework, such as streamlining registration procedures and simplifying regulatory environments. By improving digital platforms for business and tax-related activities, South Africa could make it easier for microbusinesses, especially those in rural and underserved areas, to access necessary services (Mpofu, 2022). Investing in digital infrastructure and simplifying bureaucratic processes can significantly reduce the administrative burden on microbusinesses, fostering a more conducive environment for growth and innovation (George, 2023).

Furthermore, South Africa could benefit from providing comprehensive support and resources to microbusinesses, including financial education, compliance assistance, and technology adoption programs (Matsepe and Van der Lingen, 2022). Building a supportive ecosystem that includes government initiatives, private sector partnerships, and community support can further empower microbusinesses (Matsepe and Van der Lingen, 2022). Emphasising innovation, financial literacy, and a collaborative approach to microbusiness can drive economic growth and position South Africa as a more attractive destination for microbusiness development, drawing inspiration from Singapore's successful model.

4.8. Summary

Based on a comparative analysis of tax compliance frameworks for microbusinesses across various jurisdictions, it is evident that diverse approaches are being adopted to simplify tax obligations and encourage compliance among these entities. This chapter offers a nuanced understanding of the regulatory environments in South Africa, Australia, New Zealand, Singapore, and India, highlighting both the facilitative measures and challenges faced by microbusinesses in adhering to tax regulations.

In South Africa, the implementation of the turnover tax system represents a stride towards simplifying the tax compliance landscape for microbusinesses, as emphasised by Kganyago (2022) and the South Africa Tax Administration Act (2011). This consolidated tax structure, coupled with the incorporation of digital platforms such as the SARS eFiling system, demonstrates a commitment to leveraging technology to enhance efficiency and accessibility in tax administration (SARS, 2024; Hesami, Jenkins, and Jenkins, 2023). Concerns related to digital literacy and access in rural areas pose notable challenges to the inclusivity and equitable application of these systems (Mohlala, 2023; Katz, Jung and Callorda, 2020).

Australia's tax compliance framework for microbusinesses, as delineated by ATO (2021) and ASIC (2021), reflects a balance between regulatory oversight and support for entrepreneurship. The streamlined registration processes facilitated by the ABN and PAYG systems underscore efforts to minimise administrative burdens while ensuring timely tax payments. The complexities associated with record-keeping and the potential implications of compulsory deregistration for non-compliance (Australia, 2001) indicate areas where microbusinesses may require additional support. New Zealand’s IRD has established a user-friendly registration process for microbusinesses, aiming to integrate them seamlessly into the formal tax system (IRD, 2022). The provisional tax system and voluntary deregistration provisions within the New Zealand Tax Administration Act (New Zealand, 1994) exemplify the nation's adaptive approach to tax compliance. The complexities of deregistration and the requirement for extensive record-keeping (New Zealand, 1994) highlight the need for continued focus on accessibility and simplification.

In Singapore, the streamlined business and tax registration processes facilitated by the ACRA (2022) and the IRAS (IRAS, 2022) illustrate a conducive environment for microbusiness growth. Voluntary and compulsory deregistration processes, along with the interim payment system for income tax, reflect a structured yet demanding regulatory framework. While fostering compliance, these mechanisms underscore the importance of providing microbusinesses with the necessary guidance and resources to navigate these requirements effectively. India’s presumptive taxation schemes under Sections 44AD, 44ADA, and 44AE of the Indian Income Tax Act (Republic of India, 1961) offer an innovative approach to simplifying tax compliance for microbusinesses. The straightforward registration process through the PAN system and the option of voluntary deregistration provide flexibility for microbusinesses. Nonetheless, the transition challenges from presumptive taxation to the regular taxation system, coupled with compulsory deregistration provisions, reveal areas where microbusinesses may face hurdles.

In conclusion, while each jurisdiction has tailored its tax compliance framework to address the unique needs and challenges of microbusinesses, common themes emerge across the board. The pivotal role of technology in simplifying tax compliance, the need for supportive measures to bridge the digital divide, and the importance of streamlined registration and deregistration processes are all evident. As microbusinesses continue to play an important role in global economies, tax administrations must evolve to provide an enabling environment that fosters growth, compliance, and inclusivity. Addressing the highlighted challenges and leveraging best practices from various jurisdictions can contribute to the development of more resilient and supportive tax ecosystems for microbusinesses worldwide.

CHAPTER 5: COMPARATIVE ANALYSIS AND LEGISLATIVE RECOMMENDATION

5.1. Introduction

This chapter undertakes a comparative study of the turnover tax stipulated in the Sixth Schedule of the South African Income Tax Act No. 58 of 1962 (South Africa, 1962), in comparison with the microbusiness tax provisions in Australia, New Zealand, Singapore, and India. The main objective of this comparative analysis is to uncover the structural, functional, and applicatory differences that distinguish turnover tax within an international context.

The taxation landscape in numerous countries encompasses provisions aimed at supporting microbusinesses, which play a vital role in promoting economic growth and employment. In South Africa, the turnover tax detailed in the Sixth Schedule of the Income Tax Act No. 58 of 1962 is one such provision intended to alleviate the tax burden on microbusinesses. Nevertheless, to attain a thorough comprehension of its efficacy and singularity, it is crucial to undertake a comparative analysis with similar microbusiness tax provisions in other legal contexts.

Examining the intricacies of turnover tax in South Africa and contrasting them with microbusiness tax provisions in other countries offers valuable perspectives on the advantages and disadvantages of various methods of supporting microbusinesses. Through this analysis, policymakers can gain valuable insights and identify potential avenues for improving the performance of turnover tax and promoting the growth of microbusinesses in South Africa.

Based on a comparative analysis, recommendations can be formulated for the National Treasury on how South Africa can enhance its turnover tax regime to better support microbusinesses and promote their growth. These recommendations may include adjustments to thresholds and tax rates, simplification of administrative procedures, provision of targeted incentives, and alignment with international best practices in microbusiness taxation.

5.1.1. A comparison of turnover tax with Australia’s simplified tax system

The comparison between the Australian STS and South Africa's turnover tax regime reveals the diverse methodologies employed to promote tax compliance and growth within the microbusiness sector. Both countries aim to simplify tax frameworks for microbusinesses, but their systems differ significantly in terms of structure, eligibility criteria, and application. The

Australian STS, designed to meet the needs of microbusinesses, showcases the government's commitment to fostering a business environment that supports agility and expansion. STS is inclusive, as it accommodates businesses with a turnover of up to AUD 2 million, equivalent to R36 900 000, thereby expanding the range of beneficiaries and extending simplified tax compliance to a broader economic segment. This system not only offers provisions for simplified asset depreciation and stock valuation but also grants businesses the option to participate, enabling them to tailor their tax strategies to their operational realities (Australian Taxation Office, 2020; Income Tax Assessment Act 1997 (Cth) 328-110, 328-120, 328-130). By contrast, South Africa's turnover tax, with its narrower focus and lower eligibility threshold, may not encompass as wide a range of the microbusiness sector as Australia's STS does. The prescriptive nature of the South African regime may limit its effectiveness in fostering tax compliance and sectoral growth. (Buthelezi, 2023; Chiromo, 2020).

The ATO offers various resources, including online materials, workshops, and advisory services to support small businesses (Australian Taxation Office, 2020). Through this proactive approach to taxpayer education, the ATO aims to foster greater compliance and understanding of tax obligations among small business owners, thereby promoting a culture of tax compliance and transparency (Moore, 2020). Given the effectiveness of these strategies in Australia, it might be advantageous for South Africa to integrate similar supportive measures and educational programs. The aim is to implement measures, such as those undertaken by the ATO, with a focus on broadening access to tailored tax education resources, interactive workshops, and specialized advisory services for microbusinesses (ATO, 2024). Doing so may potentially improve compliance rates and empower these smaller entities in South Africa to fulfil their tax obligations more efficiently (SARS, 2024).

The ATO and the broader range of tax benefits available under the STS set a precedent for fostering compliance and understanding among small business owners, which contrasts with South Africa's turnover tax framework (Moore, 2020; Australian Taxation Office, 2020). By potentially recalibrating and broadening its turnover tax threshold to mirror the inclusivity of the STS, South Africa could extend simplified tax compliance benefits to a greater number of small businesses, thereby nurturing a wider microbusiness ecosystem. Furthermore, integrating features akin to the STS, such as simplified asset depreciation and stock valuation, could alleviate the administrative load on microbusinesses in South Africa. Enhancing support and educational initiatives for microbusinesses could significantly strengthen their innovation capabilities, growth, and economic contributions. This could potentially reform the microbusiness landscape by implementing similar strategies to those employed in Australia, as demonstrated by the ATO (2020), and noted by Buthelezi (2023), Chiromo (2020), Kganyago (2022), Moore (2020), and SARS (2024).

5.1.2. A comparison of turnover tax with New Zealand’s corporate tax

New Zealand’s method of taxing microbusinesses is a streamlined approach that differs from South Africa's separate turnover tax system. In New Zealand, business income is taxed as personal income, aligning with the individual tax rates of business owners, which simplifies the tax filing process by eliminating the need for microbusinesses to navigate separate tax regimes, thereby reducing administrative burdens and compliance costs. South Africa's turnover tax, on the other hand, applies a distinct tax structure for microbusinesses, requiring these entities to adhere to a separate set of tax rules and filings distinct from personal income taxes. The integrated approach in New Zealand could potentially offer higher compliance rates and administrative efficiency.

New Zealand's corporate tax system offers businesses the ability to respond more dynamically to economic changes. For example, in years when a business incurs a loss, New Zealand's system allows these losses to be offset against other personal income, providing a degree of financial stability during economic downturns (New Zealand, 2007, Subpart IB). In contrast, South Africa's turnover tax does not offer this level of flexibility, as it focuses on turnover rather than net profit or loss, potentially placing a strain on businesses during challenging economic periods.

Considering the structural nuances of New Zealand's approach, it would be beneficial for South Africa to consider integrating microbusiness taxation more closely with individual income tax systems (Sawyer, 2020). Such integration could simplify the tax compliance landscape for microbusinesses, potentially leading to higher compliance rates and reduced administrative burdens (Sawyer, 2020). Furthermore, integrating business and personal taxes could provide a more responsive and flexible tax system that is better suited to the dynamic nature of microbusinesses and their role in the broader economy (Sawyer, 2020).

5.1.3. A comparison of turnover tax with Singapore’s corporate tax

Singapore's SUTE and PTE schemes demonstrate a proactive and forward-thinking approach to microbusiness taxation (IRAS, 2024). The SUTE scheme offers significant tax exemptions on initial chargeable income, provides targeted support for newly established startups, and recognises the importance of cash flow in the early stages of business development (IRAS, 2024). Under the Singapore Income Tax Act 2007, Sections 43 B and 43E, and the guidelines provided by the Inland Revenue Authority of Singapore (IRAS) in 2024, the PTE scheme extends tax exemptions to more established businesses, facilitating their growth trajectory within the microbusiness ecosystem.

South Africa's turnover tax system is found lacking in the targeted incentives required to stimulate growth across different sectors or at various stages of development within the microbusiness ecosystem (Loewald, Faulkner and Makrelov, 2020). This is due to the limitation of tax incentives that are tailored to specific industry needs and development stages of the microbusiness (Loewald, Faulkner and Makrelov, 2020). A standardised approach might not fully address the diverse needs and challenges faced by microbusinesses as they grow (Loewald, Faulkner and Makrelov, 2020). South Africa could potentially learn from Singapore's tiered and targeted support system, akin to the SUTE and PTE schemes. Introducing a more differentiated tax relief structure could offer tailored support to nurture microbusinesses in different stages of development. South Africa could consider implementing different levels of support for microbusinesses, startups, and established businesses (Anwana and Anwana, 2020). For microbusinesses, the focus could be on providing significant tax breaks and advisory services to encourage growth and stability (Anwana and Anwana, 2020). For startups, the tier could offer moderate tax relief along with access to funding and networking opportunities to stimulate innovation and expansion (Anwana and Anwana, 2020). As businesses mature, the level of support could decrease, reflecting their reduced need for substantial assistance. This approach would not only help businesses during their vulnerable stages but would also foster a healthy business environment that supports long-term economic growth following the suggestions of Buthelezi (2023) and the South African Revenue Service (SARS) in 2024.

The IRAS offers taxpayers accessible digital platforms and e-services that simplify tax compliance and administration for small businesses (IRAS, 2024). These online resources facilitate timely filings and reduce administrative burdens for small businesses (IRAS, 2024). As a result of Singapore's focus on technological innovation and digitalisation, tax administration has become efficient and compliance rates are high, setting a leading example for other jurisdictions (IRAS, 2024). To effectively implement similar advancements in South Africa, where internet connectivity is limited, a phased strategy may be required (Anwana and Anwana, 2020). This could entail initial measures such as enhancing internet infrastructure, establishing community access points, and offering extensive digital literacy programmes to ensure the successful integration of technological solutions in tax administration (Anwana and Anwana, 2020).

The microbusiness taxation system in Singapore, featuring SUTE and PTE schemes, reflects a proactive approach to supporting small businesses and nurturing entrepreneurship. South

Africa could learn from Singapore's use of targeted incentives, ongoing tax relief mechanisms, and emphasis on digitalisation to improve its turnover tax system, promote business growth, and ensure compliance with tax regulations.

5.1.4. A comparison of turnover tax with India's presumptive tax

The Presumptive Taxation Scheme in India, which is governed by Sections 44AD, 44ADA, and 44AE of the Indian Income Tax Act, offers eligible businesses with an annual turnover not exceeding INR 2 crores (R4 448 664) the option to declare income as a fixed percentage of gross receipts (India Income Tax Department, 2024). This scheme alleviates the burden of maintaining detailed financial records and computing taxable income based on profits, thereby reducing the administrative complexities often faced by microbusinesses. In contrast to South Africa's turnover tax system, which imposes taxes directly on business turnover, India's Presumptive Taxation Scheme allows eligible businesses to declare income at a fixed percentage of gross receipts, eliminating the need for detailed accounting and auditing processes (Moore, 2020). This simplified approach streamlines tax compliance for microbusinesses, potentially reducing compliance costs and administrative burdens (Buthelezi, 2023).

India's presumptive taxation model stands out for its simplicity and ease of compliance, offering microbusinesses a straightforward method to fulfil their tax obligations (India Income Tax Department, 2024). The report 'Extending presumptive taxation: Perspective' reveals that the Indian government, to promote compliance, has broadened the presumptive income scheme (Shardul Amarchand Mangaldas & Co, 2024). This enlargement has resulted in a substantial 41% surge in the number of returns filed under this scheme, indicating that a considerable proportion of taxpayers are opting for this method over the conventional taxation approach (Shardul Amarchand Mangaldas & Co, 2024). This indicates a positive response from the taxpayer community, which aligns with the scheme's objectives of simplifying tax compliance and encouraging more businesses to enter the formal economy (Shardul Amarchand Mangaldas & Co, 2024).

South Africa could potentially benefit from adopting a presumptive taxation model similar to that of India, with a focus on microbusinesses. This approach would provide a simplified method for calculating taxable income based on gross receipts, thereby reducing administrative burdens and compliance costs for microbusinesses (India Income Tax Department, 2024). Incorporating India's presumptive taxation scheme into South Africa's tax regime could enhance its structural nuances, promoting ease of doing business and supporting the growth of microbusinesses within the country's economy.

The presumptive taxation scheme in India has been successful as outlined in the report 'Extending presumptive taxation: Perspective' in fostering transparency and ease of compliance by offering a straightforward method for determining tax obligations (India Income Tax Department, 2024). This scheme simplifies tax calculations and reporting requirements, which encourages small businesses to formalise their operations and contribute to tax revenues (Chiromo, 2020). Therefore, the presumptive taxation scheme in India presents valuable insights for South Africa to enhance tax administration and compliance mechanisms for microbusinesses. By adopting a similar simplified approach to tax calculation and reporting, South Africa could potentially reduce compliance costs, improve taxpayer compliance rates, and promote the growth of microbusinesses (SARS, 2024).

5.2. Recommendation for South African legislation

To improve South Africa's turnover tax regime based on the lessons from Australia, New Zealand, Singapore, and India, specific paragraphs under the Sixth Schedule (Part IV of Chapter II) of the South African Income Tax Act No. 58 of 1962 can be enhanced as follows:

The Sixth Schedule of South Africa's Income Tax Act No. 58 of 1962, specifically Paragraph 2, presently dictates that microbusinesses with a turnover of no greater than R1 000 000 are eligible for certain tax benefits. To increase the scope of these advantages, it could be beneficial to broaden the definition of microbusinesses by increasing the R1 000 000 to encompass a wider range of businesses. This approach would resemble Australia's STS, which possesses a higher turnover threshold and encompasses various types of businesses, thereby making the system more inclusive and advantageous to a larger segment of the microbusiness sector.

Paragraph 5 Sixth Schedule of South Africa's Income Tax Act No. 58 of 1962 addresses taxable turnover. To streamline taxation for microbusinesses, a model akin to India's presumptive taxation scheme could be introduced. This scheme would allow microbusinesses to choose to declare a fixed percentage of their gross receipts as income, rather than using progressive tax percentages based on turnover (India Income Tax Department, 2024). By adopting this approach, the tax process would be simplified, lessening the reliance on intricate record-keeping and auditing. Consequently, this would reduce compliance costs and administrative burdens for microbusinesses.

Section 48B of the South African Income Tax Act No. 58 of 1962 provides for the tax rates applicable under the turnover tax regime. It would be beneficial to introduce a tiered tax rate structure similar to Singapore's SUTE and PTE schemes, offering differentiated tax rates and incentives for startups and established microbusinesses. This tiered system recognises the varying needs and growth stages of microbusinesses, promoting entrepreneurship and business development.

5.3. Summary

In summary, the recommendations for legislative change outlined in this chapter are intended to address the weaknesses identified in South Africa's turnover tax system and create a fairer, more efficient, and supportive tax environment for microbusinesses (Buthelezi, 2023; Chiromo, 2020; Loewald, Faulkner and Makrelov, 2020; India Income Tax Department, 2024).

These recommendations comprise expanding the definition of microbusinesses, introducing a presumptive taxation scheme, and implementing tiered tax rate structures (Buthelezi, 2023; Chiromo, 2020; Loewald, Faulkner and Makrelov, 2020; India Income Tax Department, 2024).

Such legislative improvements are vital for promoting economic growth, encouraging entrepreneurship, and ensuring the long-term survival of microbusinesses within the nation's economy (Buthelezi, 2023; Chiromo, 2020; Loewald, Faulkner and Makrelov, 2020; India Income Tax Department, 2024).

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1. Conclusion of the report

Chapter 1 presented the background of this report, highlighting the significant contribution of microbusinesses to the labour force and economic contribution of South Africa. Although the South African government introduced the turnover tax system that was aimed at ensuring tax compliance by microbusinesses, only a small proportion of the microbusinesses actively engage with the system. This is a reflection of a disjunction between policy objectives and practical business realities, which means the efficacy of the policy is compromised.

One of the challenges faced by microbusinesses is that, although the South African government aimed to simplify tax compliance, the approach leaves microbusinesses with liabilities because of the applied tax calculation methods. The provisions that govern the taxation of microbusinesses are outlined in Paragraph 11 of the Sixth Schedule of the South African Income Tax Act No. 58 1962, and the research problem of this study emanated from the identified gap between policy provisions and the practical implementation. This created the need to conduct a comparative analysis with international benchmarks and optimal practices. To address the research problems, the doctrinal legal research methodology was applied for conducting the comparative analysis.

The main research problem that was addressed is the following:

How does South Africa's turnover tax regime, particularly Paragraph 11 of the Sixth Schedule of the Income Tax Act No. 58 of 1962, compare to the tax legislation governing tax on microbusinesses operating in Australia, New Zealand, Singapore and India?

Four sub-problems were addressed and they are as follows

- Sub-problem one: How is the microbusiness tax applied in South Africa, Australia, New Zealand, Singapore, and India, and what are the key similarities and differences in their respective tax frameworks for microenterprises?
- Sub-problem two: How do the applicable tax rates for microbusinesses in Australia, New Zealand, Singapore, and India compare to those in South Africa?
- Sub-problem three: How do the tax compliance requirements for microbusinesses in Australia, New Zealand, Singapore, and India compare to those in South Africa?
- Sub-problem four: How does Paragraph 11 of the Sixth Schedule of the Income Tax Act No. 58 of 1962 in South Africa compare with microbusiness tax provisions in Australia, New Zealand, Singapore, and India?

This comparative analysis aimed to identify strategic enhancements to South Africa's turnover tax regime, to strengthen support for microbusinesses. By comparing the microbusinesses turnover tax systems of Australia, New Zealand, Singapore, and India, valuable insights are uncovered. The findings are discussed in the subsections to follow.

Chapter 2 is a comparative analysis of the types of microbusiness tax regimes in South Africa, Australia, New Zealand, Singapore, and India, where the strategies employed by these nations to support their respective microbusiness sectors are examined. In Section 12E (4) of the South African Income Tax No. 58 of 1962, it is stated that certain business entities must receive preferential tax treatment. This was a way of promoting small business enterprise development, so microbusinesses with an annual income of less than R20 million could be sustainable. At the same time, Section 37G of the South African Income Tax Act states that natural persons engaged in small businesses as sole proprietors (who have not registered their businesses as microbusinesses) are taxed based on prescribed individual tax tables. This caters for larger businesses and individual service providers, but the needs of microbusinesses are marginalised. A tax regime was then implemented in 2009 as a way of streamlining the tax compliance process for microbusinesses. The desired outcome was that the provided simpler alternative to the traditional tax system would allow the enterprises to dedicate their resources to operations, and less on navigating tax complexities.

Australia introduced the simplified tax system (STS) in July 2001 which gives small businesses the option to elect a base rate entry status. This provides flexibility because there is no compulsory tax regime. Section 328 of the Australian Income Tax Assessment Act of 1997 provides businesses choosing the STS option with various options for their annual returns, which have to be reassessed annually. The provided grouping rules in sections 328-330 and 328-355 of the Act are meant to ensure that the aggregate turnover and assets of small businesses are not manipulated.

New Zealand’s Income Tax Act of 2007 allows businesses to offset future profits with past losses, which means taxation is based on the net income over time. Small businesses are taxed based on the individual income tax rates of their owners. However, there is some flexibility because small business owners can opt for incorporation, where they are subjected to a corporate tax rate of 28% of their profits.

Singapore has a corporate tax framework that is characterised by a uniform tax rate of 17% on net income, as per the mandate of the Singapore Income Tax No. 97 of 2007. The Startup Tax Exemption (SUTE) Scheme that was implemented in 2005 provides significant tax relief to new startup businesses. The startup businesses qualify for an exemption of between 50 and 75% of their chargeable income, for the first three years of assessment. However, the uniformity of the SUTE means it does not align with the financial needs of some of the startups.

To ensure that all profit-making companies pay a minimum level of tax, the minimum alternate tax (MAT) system was established in India. The MAT system was introduced to ensure that companies benefiting from deductions, exemptions, and incentives under tax laws pay a minimum tax amount, as per the mandate of the India Income Tax Act of 1961. The Income Tax Act of 1961, supplemented by the Micro, Small and Medium Enterprises Development Act (MSMED) Act of 2006, outlines the tax treatment for micro and small businesses, categorising them based on their investments in plant, machinery, or equipment to facilitate tax incentives that encourage the development of small-scale industries. Also administered by the Indian Revenue Service (IRS), the presumptive tax provisions for small-scale enterprises are laid out in Sections 44AD, 44ADA, and 44AE of the Indian Income Tax Act. Therefore, providing a simplified fiscal framework that provides relief to small taxpayers, eliminates the requirement for detailed accounting. Moreover, Section 44AD of the Indian Income Tax Act imposes a presumptive taxation scheme tailored for small businesses wherein taxpayers have the prerogative to declare their income as a proportion of gross receipts; where eligible taxpayers can benefit from the scheme by declaring their income at a presumptive rate of 8% of their total turnover, or 6% if their turnover is received through banking or digital channels, provided their annual turnover does not exceed INR 2 crores. The scheme eases the burden of maintaining detailed financial records and allows for the payment of advance tax in a single instalment by March 15th of each financial year.

The chapter concludes that Australia's simplified tax system and New Zealand's business-friendly tax provisions demonstrate that the countries are committed to nurturing a supportive environment for small businesses. Singapore's startup tax exemption scheme and India's presumptive taxation scheme showcase targeted initiatives designed to alleviate tax-related challenges and promote entrepreneurial activities. The approaches of these countries are an affirmation of the significant role of microbusinesses in economic development and also provide valuable insights into potential enhancements for South Africa's turnover tax regime.

Chapter 3 provided a comparative analysis of microbusiness tax rates and practices across South Africa, Australia, New Zealand, Singapore, and India, focusing on a numerical comparison based on the annual income of microbusinesses and the tax rate for each country. The countries generally show support for microbusinesses because of the efforts taken to ensure fairness in their diverse tax regimes. South Africa implemented a simplified turnover tax system designed to ease the tax compliance burden for microbusinesses, but the concern is the stability of tax rates without adjusting for inflation, which may result in bracket creep that undermines the system's fairness over time.

Comparatively, Australia's reduced corporate tax rates provide rates for smaller entities, promoting sustainability and expansion within the microbusiness sector. New Zealand’s historical tax reforms aimed at stimulating economic growth and international competitiveness have resulted in a straightforward tax regime for microbusinesses, aligning their tax obligations with those of individuals and simplifying compliance. Singapore’s government is committed to nurturing the growth of SMEs and startups, which is reflected in the significant tax reliefs offered through the SUTE and PTE schemes, reflecting a provision of a favourable landscape for microbusinesses. The Indian Income Tax Act's presumptive taxation scheme simplifies tax compliance for microbusinesses by offering reduced tax rates.

The chapter concludes that South Africa needs to learn from these countries' approaches, particularly in offering incentives and simplifying tax compliance to foster the development of microbusinesses.

Chapter 4 dissects the tax requirement for microbusinesses in Australia, New Zealand, Singapore, and India, juxtaposing them with South Africa’s regimes. This is achieved by delving into compliance obligations, including tax filing, record keeping, and reporting standards, so the results could contribute towards alleviating the compliance burden for South Africa’s microbusinesses. The tax burden carried by South Africa’s microbusinesses is influenced by the following factors: compliance costs, the nature of the tax system, as well as accessibility and utilisation of the microbusiness tax concessions. Added to the above, small, medium, and microbusinesses (SMEs) still experience being charged penalties if tax calculations are incomplete or erroneous.

South Africa’s turnover tax system represents a stride towards simplifying the tax compliance landscape for microbusinesses. This consolidated tax structure, coupled with the incorporation of digital platforms such as the SARS eFiling system, demonstrates a commitment to leveraging technology to enhance efficiency and accessibility in tax administration. However, digital literacy and access, especially in rural areas, pose notable challenges, which also become an issue due to limited inclusivity and equitable application of these systems.

Australia's tax compliance framework for microbusinesses is a reflection of a balance between regulatory oversight and support for entrepreneurship. The streamlined registration processes facilitated by the ABN and PAYG systems underscore efforts to minimise administrative burdens while ensuring timely tax payments. The complexities associated with record-keeping and the potential implications of compulsory deregistration for non-compliance indicate areas where microbusinesses may require additional support. New Zealand's IRD has established a user-friendly registration process for microbusinesses, aiming to integrate them seamlessly into the formal tax system. However, the complexities of deregistration and the requirement for extensive record-keeping (New Zealand, 1994) highlight the need for continued focus on accessibility and simplification.

Singapore has streamlined business and tax registration processes facilitated by the ACRA and the IRAS, which illustrates a conducive environment for microbusiness growth. Voluntary and compulsory deregistration processes, along with the interim payment system for income tax, reflect a structured yet demanding regulatory framework. While fostering compliance, these mechanisms underscore the importance of providing microbusinesses with the necessary guidance and resources to navigate these requirements effectively.

India's presumptive taxation schemes under Sections 44AD, 44ADA, and 44AE of the Indian Income Tax Act (Republic of India, 1961) offer an innovative approach to simplifying tax compliance for microbusinesses. The straightforward registration process through the PAN system and the option for voluntary deregistration provide flexibility for microbusinesses. Nonetheless, the transition challenges from presumptive taxation to the regular taxation system, coupled with compulsory deregistration provisions, reveal areas where microbusinesses may face hurdles.

The chapter concludes that technology plays a notable role when it comes to simplifying tax compliance, the need for supportive measures to bridge the digital divide, and the importance of streamlined registration and deregistration processes are all evident. This is because technology and innovation allow for efficiency and the convenience needed to help these countries foster growth, compliance, and inclusivity. Addressing the highlighted challenges and leveraging best practices from various jurisdictions can contribute to the development of more resilient and supportive tax ecosystems for microbusinesses worldwide.

Chapter 5 undertakes a comparative discussion of the turnover tax stipulated in the Sixth Schedule of the South African Income Tax Act No. 58 of 1962, comparing it to the microbusiness tax provisions in Australia, New Zealand, Singapore, and India. The focus was to uncover the structural, functional, and applicatory differences that distinguish turnover tax within an international context. This comparative analysis led to recommendations on how South Africa can improve its turnover tax regime, based on the lessons from Australia, New Zealand, Singapore, and India, specific paragraphs under the Sixth Schedule (Part IV of Chapter II) of the South African Income Tax Act No. 58 of 1962. The recommendations for legislative change outlined in the chapter are intended to address the weaknesses identified in South Africa's turnover tax system and create a fairer, more efficient, and supportive tax environment for microbusinesses.

These proposals comprise expanding the definition of microbusinesses, integrating turnover tax into individual income tax systems, introducing a presumptive taxation scheme, and implementing tiered tax rate structures. Such legislative improvements are vital for promoting economic growth, encouraging entrepreneurship, and ensuring the long-term survival of microbusinesses within the nation's economy.

6.2. Conclusion and recommendations

The importance of a streamlined taxation structure cannot be overstated. South Africa's dense turnover tax system hinders microbusiness engagement and growth. This report highlighted the significance of inclusivity within the tax regime, highlighting how narrowly defined eligibility criteria may inadvertently exclude a substantial segment of microbusinesses that could otherwise benefit from a simplified tax framework. Furthermore, the role of tax incentives in fostering the formalisation of microbusinesses has emerged as a pivotal theme. Examining examples from Singapore and India underscores how well-designed incentives can facilitate the transition of informal businesses into the formal sector, thereby expanding the economic base and tax revenues.

Ensuring equity within the turnover tax regime warrants careful attention to prevent an undue burden on microbusinesses. It is crucial to align tax obligations with the economic capacities of microbusinesses to foster an environment conducive to entrepreneurial growth and innovation. The dynamic nature of the microbusiness sector necessitates a flexible and adaptable tax regime.

While this comparative analysis offers initial insights, further studies are needed to explore the nuanced effects of such tax systems on microbusiness development trajectories. Future research endeavours should delve into the longitudinal outcomes of turnover tax regimes, focusing on microbusiness performance, economic integration, and their contribution to national development.

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